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With Our Readers

Sirs:

Your Texas friend, who, in the February 16 number of THE MAGAZINE OF WALL STREET, writes on taxation and the evils of the ad valorem tax, certainly knows what he is talking about.

Unless the basis of taxation, particularly on real estate, be changed from capital (and inflated) values, to earning power, the taxpayer in the mass will collapse.

But the problem is deeper than that.

Even with intelligent taxation and economy in government costs, the people of the United States cannot thrive again unless and until they conform to the new world creditor status which henceforth will be the basis of the economic environment from which they must extract a living.

We over-loaned and over-sold, and thereby changed from world debtor to world creditor.

But we refused to function as a world creditor needs to function. We held on to our high tariff, and refused to permit payment in commodities.

In that way we drove the debtor nations to intense nationalism and placed severe barriers in the path of every attempt the world might make to recreate a balance and an adjustment.

We cannot thrive unless we produce and sell a surplus.

We cannot sell unless we buy.

So even though we readjust our tax base and bring government to economical expenditures, we will still be living behind a Chinese Wall, unless we lower the tariff, and therefore heading toward disaster.—W. P., New Orleans, La.

As an ardent disbeliever in the "American self-contained" theory, you will enjoy reading the article entitled, "Foreign Competition Menaces Our Cotton Markets," by C. S. Burton which appears in this issue.—ED.

Sirs:

Some time ago I heard a noted man over the radio bring out plausible arguments to prove that all things considered it was costing this country one hundred dollars for every dollar of war debts collected. Have been wondering if a similar situation does not exist in the utility lower-rate war, if the huge taxes they pay are considered.

Against any legitimate reduction to a strictly fair rate as specified in Supreme Court decisions, the utility stockholders have no quarrel. What they fear is unjust treatment which has taken billions from the market value of their stocks. Add to this the amount lost to business, and labor by this program, and the amount in the increase of the National debt, and all other far-reaching effects of our Administration's antagonism to the utilities it certainly is costing this country many times the possible saving which can legitimately be made in electric power rates.

Is it not a fair assumption that the interest alone on Government bonds, which have to be put out because the utility issue has prevented the pump from being primed, will be much more than the amount saved to the users of electric power?

Do you not believe as many do that this vindicative attitude toward the utilities has been one of the greatest deliberate moves by any government to a positive deflation at a time when we were all sick to death of the natural deflation?—H. H., Boston, Mass.

The continued pressure on the utilities by means of excessive taxation, governmental competition, and more lately the attack on the holding companies, is unquestionably one of the major forces making for further deflation.—ED.

Sirs:

I note in the issue of March 2 that "Washington Sees" the obliteration of the obnoxious pink sheet which accompanies income tax blanks. I think that your publication should take a very forceful stand on this subject. The Government may have a right to know the details of a man's income, but it has no right to throw these figures open to the public gaze for the benefit of nosey neighbors, mendicants and racketeers. The publication of individual incomes will provide the greatest sucker list ever known in history. I am writing both my Representative and Senator, and believe that every taxpayer should do the same.—A. R. B., Brattleboro, Vt.

We heartily concur in these sentiments. If every taxpayer who feels that his rights are infringed by this violation of his privacy would take the trouble to write his Congressional representatives, the publicity phase of the income tax law would be promptly killed.—ED.

Sirs:

The attitude of Marvin E. Brandt, Jr., as expressed in his "Case Against the Utilities", page 498 of your February 16 issue, is illogical and wrong, in this respect, viz:

He takes the position, that, since large losses were unavoidably sustained by many thousands of investors, that we should forcibly deflate the utilities, thereby causing many more thousands to lose heavily. Prosperity will not be hastened, but on the contrary will be delayed, if we needlessly cripple any industry, which has so far been able to weather the storm.

In making out his case against Consolidated Gas, he overlooked the fact that this company is paying taxes equal to $4.50 per share of common stock; that the tax gatherer takes $4.50 and leaves the owner of the property only $1. He also failed to state that Consolidated Gas has several hundred thousand meters out, which fail to earn enough to cover the average tax charge per meter; namely $1.25 per month.—A. R. J., Palestine, Texas.

We saw many discrepancies in Mr. Brandt's "Case Against the Utilities", but we thought his unadorned views on a controversial subject were worthy of presentation. Our own position, in defense of the utilities, has been reiterated in the many articles which have appeared in this magazine over the past year.—ED.

Sirs:

May I congratulate you on the articles by Senator Barbour and Senator Thomas on the question of inflation. I have read these candid views with much interest and benefit. Although Senator Thomas makes out a plausible case, I feel that he is playing with fire which may consume us. It does not appear to me that he sees the ultimate consequence of injecting politics into our Federal Reserve System.

(*Please turn to page* 645)

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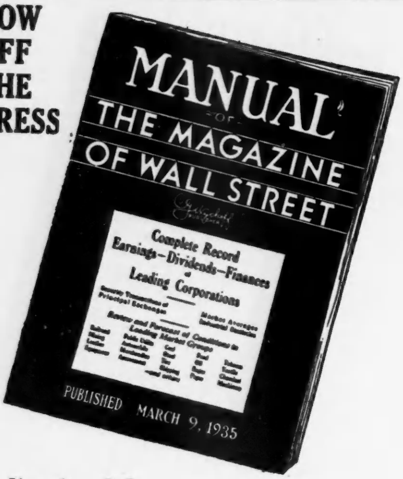

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—Record of Production of Leading Commodities and New Production Trend.
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WITH THE EDITORS

What About This Inflation?

INFLATION is in the minds of almost everybody. It is discussed as though it were at hand. But where are its manifestations? The answer is that it is here potentially. The setting for it has been created but it is not yet in the stage where its workings are evident.

When a nation increases the volume of money—whether it be in currency *or in credit*—to a degree that goes beyond the ordinary needs of business; then it is inflating. But to cause the effect there must be the use of the added money or credit by business.

Plainly the initial step has been taken—that of creating a great volume of credit. There has been no serious move to increase the supply of formal money by fiat. Credit, however, is the cheapest thing in the world today. We see the evidence of it in our rising bank deposits and in extremely low money rates. But the utilization of this credit as a means of actively motivating the wheels of business, has yet to come. Rising prices we have, but rapidly expanding business is not so apparent. Individuals are not apprehensive over the value of money. Corporations are uncertain as to the prospect and hesitant to utilize credit that may be available. Banks are still cautious lenders. But let this state of mind be changed and the tinder will be quickly ignited. Then will come a rush to buy new equipment and large stocks of raw materials, to secure things of enduring value, to buy real estate and stocks. Such operations are not in vogue on any appreciable scale, but the basis for them is present.

Once started they will materialize with a vengeance. When? Maybe not for many months, even a year or two. Indeed one of the most insidious features of inflation is its gradual approach. It will be remembered that the last inflations of both France and Germany were a long time in reaching the obvious phase—years after the initial acts which were their genesis were past.

It is this very quality of the unpredictable arrival of the acute effects of inflation which gives so much concern over what may be done to offset its effects. It is difficult to meet this problem for all individaul cases. In general, however, it is our view that stocks of sound companies with established earning power and dividends, offer the best offsets to declining purchasing power. Both the value and the income from such securities should be enhanced rapidly with the ascent of prices. Shares of the proven gold mining companies should rank high in any such list of inflation-protection stocks. They offer the advantage of better than average income and the prospect of increasing earnings at least until the later phase of inflation when profitable operations might be affected by excessively high costs.

The perfect hedge against inflation is non-existent but it can be approached by a carefully laid out plan of investment, pursued with deliberation as the market conditions provide the opportunity.

In the Next Issue

International Currency War Ahead?

Will We Devalue for the Remaining Nine Cents or Further?

The race for world markets—England's desire to regain her former position of world banker and trade—Decline in Sterling and its effect on our price level—What it all means to Our Economy.

By M. Gordon Southwick

The New Deal at the Crossroads

Approaching Political Crisis of Great Significance to Business

By Theodore M. Knappen

New Developments in the Movies

By C. F. Morgan

Mr. Morgan's authoritative writing on the motion picture industry needs no introduction to the readers of The Magazine of Wall Street.

E. Kenneth Burger
Managing Editor

C. G. Wyckoff
Publisher

Theodore M. Knappen
Laurence Stern
Associate Editors

The Trend of Events

GOLD "PROFIT" UTILIZED

IN devaluing the dollar our Government handed itself a "profit" of about $2,800,000,000 by merely announcing that the physical quantity of gold in the country was worth this much more than previously. It was in no sense, of course, a real profit, any more than a man makes a profit by buying a house for $5,000 and putting it on his books at $10,000. Nevertheless, there was the gold "profit" on the Treasury's books, a constant temptation to Congress to appropriate it for something. This, the Administration has now circumvented. Two billions went into the stabilization fund, a little went here and there in minor operations, but until only the other day there was $642,000,000 left. The bonus advocates had their eye on this balance, but now they will have to look elsewhere, for it is to be used to retire the Consols and Panama bonds. These bonds enjoyed the circulation privilege and were employed as backing for National Bank Notes, so their retirement means that this currency will disappear. In as much as the latest Treasury move simplifies our circulating medium, it is to be thoroughly approved. The retirement of the National Bank Notes has been advocated for years and, incidentally, was one of the objectives of the Federal Reserve System. There is, however, less popular interest in whether such a utilization of the gold "profit" simplifies the currency than there is in deciding whether it is inflationary. It can, of course, be contended on broad grounds that any utilization of a government's bookkeeping profit is inflationary. But the retirement of bonds that have long been used as backing for currency greatly lessens the inflationary aspects of the present situation. As a matter of fact, the latest Treasury move, so far as individual banks are concerned, is not inflationary at all, for the increase in their reserves, resulting from the calling of the bonds, is nicely offset when they come to retire their note circulation. On the other hand, in so far as the Federal Reserve banks will receive an additional $642,000,000 in gold certificates against which they could issue nearly $1,700,000,000 in currency, it must be said to have strengthened the potentialities for inflation. However, the potentialities for inflation are great anyway.

JOHNSON'S PLEA AND CONGRESS'S REVOLT

GENERAL HUGH S. JOHNSON stood up at a banquet in New York the other night, whirled a couple of oratorical dead cats around his head in a figurative slingshot and landed them, one to each, fair and square on the pates of Senator Huey Long and Father Coughlin. It is high time for somebody dramatically to expose those menacing quacks in their mad careers of demagogic befuddlement of the American people. But the main purpose of General

Johnson's speech was to rally the nation behind President Roosevelt as the dauntless leader of the forces which are opposed to the tempting nostrums of Long, Coughlin, et al. As between the President and the quacks there is, of course, only one choice, but it would be much more enthusiastic if the President did not have behind him a record of economic error, acceptance of monetary superstition, and inclination for occult cures for business illness. He has himself given much tacit encouragement to the emotional priest and has never exerted his power to discredit the ranting Senator. Any howling dervish of the economic world has been able to get the President's ear and two or three of them have had at least temporary domination of his policies. And with all due respect to General Johnson, those policies were not indorsed at the polls when the President was elected. Quite the contrary.

Fortunately there are signs that sane elements in Congress are going to be powerful enough to resist the President in error as well as the all-wrong demagogues whom the radio has endowed with such great opportunities for evil.

The time is definitely past when the President can push the button and get whatever he wants, good, bad or indifferent. He may still get unworthy measures through Congress, but not without a searching examination of them. No more is it possible under a plea of dire national emergency to stampede a patriotic Congress into fallacious or dangerous legislation. On the other hand Congress contains many members who are as dangerous, according to their capacities and opportunities, as Coughlin and Long. The President will presently have to choose between the sheep and the goats, and when he does we doubt not that he will find that all the cool headed members, whether partisan foes or friends, will stand by him. He has hitherto led courageously, if not wisely; hereafter he will have to lead wisely and no less courageously.

INVESTORS DEMAND THEIR RIGHTS

ON the edge of the precipice of confiscation by taxation and legislation the investors of America have at last turned against their persecutors and asserted their rights as citizens and proprietors. We are told that Congress has now discovered through its correspondence that there are some millions of people in the United States who have hitherto been silent whilst petty organized groups have dinned it into the ears of legislators that they, and they only, are the people. Already the result is that Congress is beginning to understand that it can not simultaneously destroy the sources of wealth and augment the levies upon it.

It is not only against usurpers without the fields of their immediate property interests that the hitherto timid and docile investor is becoming articulate and even indignantly so. Men and women are attending shareholders meetings these days with searching questions, vigorous assertion of their rights as owners and with no respect for directors and officers who have come to think that companies are their property by virtue of long acquiescence to their autocratic rule. Here, too, the awakening has come tardily. Too long has the master played the part of servant. And the lesson is that a corporation being only a form of partnership, the idle and unattentive partner will always be exploited by active partners lodged in the seat of power.

Citizens and shareholders must persistently exercise their rights. Governments and corporations are run by those who are on the job, and always, quite humanly, with an eye to their private interests. Power is to those who take it, and rights are retained by those who use them.

THE COURTS INTERVENE

N R A, gasping on the Congressional operating table, gets judicial thumps right and left without mercy for its down-and-out state. Hardest of all for the advocates of union labor oligarchy of industry, by grace of Section 7(a), was the stiff-arm jolt landed by United States Judge Nields in the Weirton Steel Co. case. The gist of the decision is that the company union is the representative of the workers in collective bargaining by free choice of the workers, "a great majority" the American Federation to the contrary notwithstanding. This decision definitely turns Section 7(a) into a boomerang for that body which hailed it as a charter of labor absolutism in industry. The condemned company union comes into its own, and workers into enjoyment of the right to affiliate as they please without influence or intimidation or governmental favor. The evidence revealed that the Weirton conflict was a case of a distinct minority trying to rule the majority of the employees. The decision on this point is gratifying and reassuring but practically superfluous if the Supreme Court upholds Judge Nields and a score of other Federal judges on their decisions that N R A is a usurper when it attempts to regulate intra-state business.

Disregarding the states' rights question, Judge Dawson of Kentucky, standing on the citizen's rights under the Federal Constitution, seconded Judge Nields with a follow-up punch at the highly honored provision for minimum wages. For the second time he granted a temporary injunction against enforcement of the Coal Code Authority's imposition of minimum wages on 34 dissident operators. We may deplore the social implication of this decision but it is refreshing to have a Federal judge remind Washington that it may have some difficulties in "taking charge of all business in this country."

THE MARKET PROSPECT

OUR most recent investment advice will be found in the discussion of the prospective trend of the market on page 604. The counsel embodied in this feature should be considered in connection with all investment suggestions elsewhere in this issue.

Monday, March 11, 1935.

As I See It ~ By Charles Benedict

Just Going Through a Lot of Motions

WE are now entering the third year of the New Deal and the major issues of the depression still remain unsettled:

—Unemployment is greater than ever.

—Surpluses, with the exception of those diminished by an act of God, are still high.

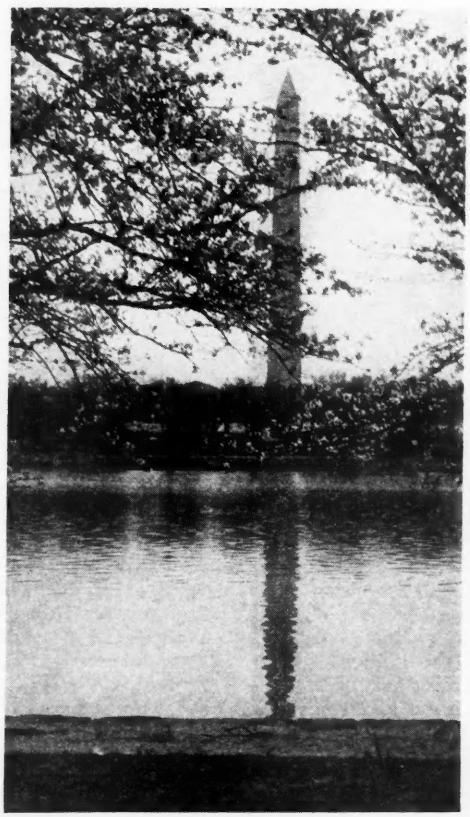
—The art of distribution is still in the theory stage.

—The standard of living has decreased steadily, although prices have risen 34 per cent according to the latest figures of the Department of Labor, making for diminished buying power and narrowing markets.

The mess in the huge cauldron of national activities has been boiling so long,—and the lid lifted so frequently in the seasoning and stirring by so many cooks,—that the nourishing essence is evaporating, and the contents is decreasing at the same time that it grows less and less palatable and nourishing. Let us face the facts. We are still experimenting. The country is poorer than it was two years ago and the want is just as great. This is because the Government, in attempting to make over all our institutions in one fell swoop, has undertaken an impossible task.

This United States is a gigantic enterprise. Its ramifications are many times those of our most widely flung corporations. If it is true, as Judge Brandeis says in his latest book, that the large corporation is an unwieldy and uneconomic thing, how much more so is the Federal Government today, embracing as it does not only the activities of Government, but also endeavoring to regulate business as well as these "unwieldy corporations,"—and at the same time attempting all manner of social reform.

The Government has taken the functions of all enterprise out of the hands of those familiar with these businesses and placed them under the jurisdiction of innumerable bureaus and individuals, most of whom have had no experience whatever with these matters,—and are totally unfamiliar with the intricate technique of modern trade and industry. If the Government had merely attempted to correct the evils within the present system it would have been difficult and disturbing enough,—but the New Deal is attempting to scrap the existing order and destroy the machinery which enabled it to function (and which had taken many generations to develop), and in its place set up a new system and new machinery to carry out a theoretical and visionary program. They did not take into consideration the human element in any form whatsoever. The plan was one for mass control. It is the personal element in business which makes it successful.



Any business man knows how much effort and energy he must put into his work to keep his enterprise going at any time. He knows, too, how difficult it is to secure the right kind of brains or skill necessary to hold his position and to make growth.

And yet, the New Deal has undertaken to smooth out, adjust and recast the affairs of business in times of the most acute distress without the necessary background for the conduct of business in even normal times. And to top it all, the matters of revamping and adjusting this intricate and delicate machinery have been placed in the hands of men whose training has been only that of college professors, lawyers and politicians. That is the reason affairs are working at cross purposes in Washington and why there is a chaotic condition between one organization and another,—and so little progress.

In the meantime business men hesitate to act because the future is not clear. They do not know what is going to happen. This results in stagnation for the whole country,—and if the country is permitted to get to a lower and lower level it is going to be very difficult to lift it out.

When we recognize that figures are merely a basis for calculation,—that values are created by confidence and faith alone,—we will realize the absurdity of attempting to remedy the ills of business by the manipulation of figures and values.

The progress which we have made thus far has been on a basis of individual initiative working under the law of self-preservation. Most men are thoroughly disillusioned and disheartened today,—stifled and hemmed in by a multitude of conflicting regula-

(*Please turn to page* 649)

Political Uncertainties Modify Current Trend

Investment Demand Emphasizes Selectivity

New Forces Dominate the Market

By A. T. Miller

THE market these days certainly is a sensitive affair, poised precariously between precipitous decline and frenzied uprush. Consider its action following the Supreme Court gold decisions. Last week there was a similar demonstration. The President at his press conference on Wednesday said something about the dollar not yet having been adjusted to the debt burden. Naturally, this was taken to imply further devaluation and as the markets got the news there was considerable action. Both stocks and commodities rose sharply, while United States Government bonds and the dollar in foreign exchange dipped instantaneously. Of course, as soon as official Washington heard of what was happening there was an immediate denial of the popular interpretation of the President's words and as a result all price movements reversed rapidly.

Highly Susceptible Market

Although this little incident is of no great importance in itself, it did serve to relieve the monotony in what has been two very dull weeks marketwise. Also, it was another example of the market's sensitiveness to news, of which we have already spoken. Prior to the flutter, stock prices had been drifting along, slightly downwards if anything. The popular industrial issues gave the best performance, although the pressure on the utilities and the rails was noticeably less than in the recent past.

The utilities have taken heart from the growing opposition to the Holding Company bill. It is said the legislators are being flooded with mail protesting the measure and that there is now almost no prospect that it will pass in the original form. Even the Securities Exchange Commission itself is going to sponsor an amendment to soften the section that calls for dissolution within five years. Indeed, Judge Healy, member of the Commission, went a step further and virtually proposed that S E C be given broad powers to deal with holding companies as would be in the best interests of the public. If such a course be followed in actuality, one can be certain that the Commission, as currently composed, would deal with the situation very much less drastically than is the intention of the Wheeler-Rayburn Bill.

At the same time, the outlook for the utilities has been brightened by virtue of the court decisions against T V A. Judge W. I. Grubb of the Federal District Court in Birmingham, said virtually that the Federal Government had no right in the utility business and that it could only dispose of surplus power when such surplus was a result of its indisputable right to control navigation. The power generated by the Tennessee Valley project would not be "surplus" ruled the judge. While a District Court decision is not final, it must be considered certainly an important point in favor of those who believe that there has been altogether too much governmental interference with private industry.

The dribbling liquidation which has so long been a feature of the railroad group tended to dry up on the news that loadings of revenue freight for the week ended March 2 were likely to be greater than any week since last October. Also, the Interstate Commerce Commission's decision on the roads' petition for a $170,000,000 rate increase is expected shortly, with the prospect that it will be granted, at least in large measure. Yet, while this is sufficient explanation for the temporary easing of liquidation in the rails, latest available reports on income only emphasize the manner in which expenses have tended to over-run an increase in gross—the gloomiest of results for holders of common stock.

Special influences working upon particular groups, however, are far from being a complete picture of the stock market at any one time; more basic factors are dominating the current trend. Of these, in recent weeks, the one most in the public eye and possibly the most important, has been the spectacular decline in the pound sterling. In the minds of investors and speculators this has hovered like a menacing cloud on the horizon. Nor, as we have pointed out editorially in this same issue, are the fears entirely groundless. The decline in the currency unit of an importing nation as important as Great Britain—to say nothing of the sympathetic declines in the currencies of the other members of the "sterling bloc"—naturally tends to deflate the price, first, of our export goods and, second, prices generally.

Further Devaluation?

Whether the decline in sterling ultimately will lead to further devaluation on our part and therefore in the final analysis have an inflationary effect, no one knows. As things stand at the moment, however, the effect is undoubtedly deflationary, as is witnessed by the price declines in our grain and other commodity markets.

Unfortunately, the uncertainty which attaches to the pound and the influence that it might have upon our own money, is not the only uncertainty with which the market has to contend. Conditions in Washington are literally chaotic. Legislation of fundamental importance to business and the country is chopped and changed hourly. Court decisions come thick and fast, many of them cutting deep

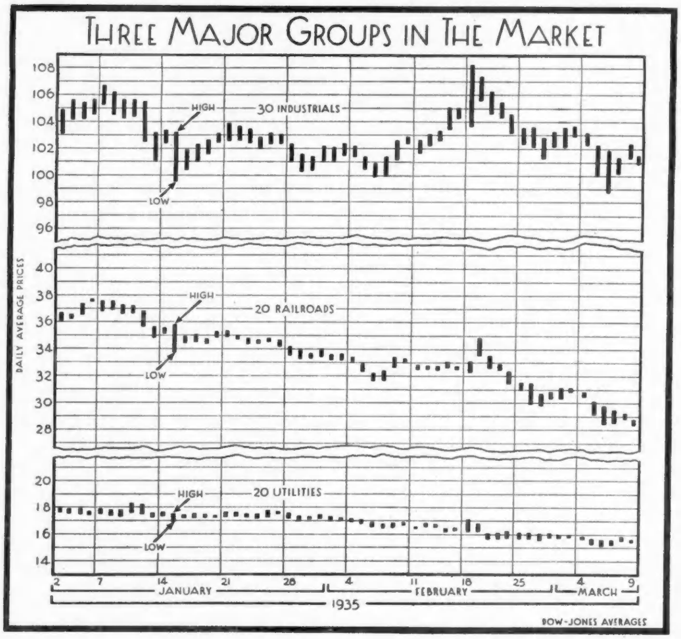
into the heart of the "New Deal"; others, on the constitutionality of past legislation, still remain to be decided. Meanwhile the Huey Longs of Congress waste vital time and money in threats, invective and log-rolling. The market reflects the attendant uncertainty.

As we write, the President's Work-Relief bill seems likely to pass. But when finally law it will hardly be for the $4,800,000,000 which was asked and in all likelihood will contain some compromise on the "prevailing wage." Perhaps the "prevailing wage" clause will be enacted to apply only to projects that do not compete with private industry, but it is almost too much to hope that it will be omitted entirely.

In its effects upon the stock market, Work-Relief expenditures will be similar to others the Government has made. They will have a stimulating effect as long as the money actually is being spent but, if precedent means anything, as soon as expenditures slow up, so will business. Moreover, it is to be remembered that the Work-Relief scheme will not be all "new money," but is designed to take the place of much of the governmental spending that is being made currently. To the amount that it merely replaces present spending, it will afford no fresh stimulus to business.

Another important uncertainty is to be found in the future of N R A. This is in process of being extensively revamped and all signs currently point to its emerging something entirely different from the old N R A, in whose honor we once paraded to the music of bands, flagwaving, and the cheers of a hopeful populace. The final solution is likely to be a loose association on a voluntary basis, with all price-fixing in the discard However, nothing very definite can be done until the Supreme Court renders its decision in the Belcher lumber case, which goes to the very depths of the old N R A The decision will not be until next month at the earliest, so that it is hard to see how the new child can be born before June.

Meanwhile, the market watches the situation closely. In some quarters a recurrence of reckless competition is feared and this has had a depressing effect upon the weaker stocks of industries where such competition has been prevalent in the past. On the other hand, the present N R A code system is undoubtedly a handicap to some companies—those that have been unable to take full advantage of their higher efficiency. It might perhaps be well to revise stockholdings with a view to cutting down the number of those whose present position is largely the result of artificial restrictions —whether the restrictions be the result of N R A, the tariff, or some other man-made device. It might also be well to examine individual lists to avoid a preponderance of very large corporations or holding companies, which are in disfavor with the present government.



Yet, despite all the confused political aspects of our economy, *current* business is considerably better than the general lack of confidence in the future would lead one to believe. Most of the generally accepted indices do not reflect the anxiety for the future. Carloadings have swung upwards: electric power production continues well ahead of this time last year: while there still exists apparently an insatiable demand for automobiles. After slipping downwards slightly, steel production holds steady around 50 per cent of theoretical capacity and it is hard to see how there can be any material recession with the demand for automobiles what it is. Previously noted sagging tendencies in retail trade have been largely arrested.

The old sore spots, of course, are still with us. Construction generally still makes the poorest of showings and, even though we may be entering the season of growing activity, frankly, signs of material improvement are nonexistent. However, the greatest contradiction to the gains that we are supposed to have made and to the manner in which automobile, steel and carloading indeces hold up is to be found in the number of persons on relief. Official figures place the number on relief at 22,375,000, a sixth of the population, and a new high record.

As a result of the present more-or-less balanced condition in business itself, it is not unnatural that the market has tended to emphasize political developments, actual and pending; also, that it has turned to financial factors as a clue to value. The former are the more important, but the fact that money rates make new lows almost daily is a growing power on the constructive side of the stock market. It is being widely realized that a 6 per cent return from a sound well-established company is almost completely out of the question under present conditions: even 5 per cent is high if the issue contains anything in the way of hopeful prospects.

Thus, there is gradually being built up in this market a group of issues which take almost no notice of day-to-day changes in business and politics. They are bought and sold as investments on a yield basis. Naturally, it would be idle to deny that they are still part of the general market and therefore completely remote from the influences that effect their less fortunately situated contemporaries. Yet, while this is certainly not the case, there are a growing number which, because of their comparatively attractive yield, have acquired a degree of separation from the rest, probably never before seen in a market as harassed and badgered as this one.

Such issues are usually specialties, relatively inactive marketwise, and frequently with little or no prospect of dynamic expansion in the future. Despite the increasing burden of taxation and an alarming general tendency for profit margins to lessen, they go on earning their dividends

(*Please turn to page* 645)

Happening in Washington

By E. K. T.

"The statistical position is good," is the official Washington opinion of the business situation, but the political position, with respect to its influence upon business is not so good. Whether in the broad or narrow sense of "political," the Administration is beset by a sea of troubles, troubles whose waves will beat hard and fast upon the business coast. Since the Supreme Court unanimously rebuked the Government on a point of honor in the gold clause decisions, there is no certainty that the Court may not turn thumbs down on the constitutionality of N R A. The first case to reach the Court affecting N R A vitals will come up April 7—the Belcher lumber code case. If the court favors the defendant, N R A is out of the window. In any event that abandoned orphan is now under the fire of a hostile Senatorial investigation and in disfavor with a large element of Congress. There may be no projection of the N R A innovation into the future, but more likely it will be continued as a scattered shadow of what it has been.

There are nearly 300 cases in the lower courts affecting N R A, and the judges are zealously slamming N R A and its kin at every fair opportunity. Judge Grubb in Alabama has struck at the very existence of T V A; in the Weirton steel case Section 7 (a) as administered got a blow in the solar plexus; the coal code was scotched in West Virginia and state courts are hot after state N R A laws.

International Photo

Judge W. I. Grubb

He struck a body blow at T V A

Congress seethes with revolt against Presidential policies and bristles with wild bills affecting business directly or indirectly, such as bonus pay off, refunding farm mortgages with printing press money, many and various inflationary measures. Legislative chaos rules. Will this situation continue? Probably, yes. But if it is checked, there remain for business torture the disquieting proposals the Administration indorses, like Federal Reserve reorganization into essentially a Government-controlled central bank, dissolution of the utility holding companies and the social security bill.

The President has rallied his forces and wiped out his initial defeat in the Senate on the work-relief bill, but it was a close squeak (lubricated by fat pork for Vermont) and is no guaranty against further perils to presidential prestige. The fact remains that Congress is past the rubber-stamp period, for weal or for woe, and will, moreover, insist upon adoption of some of its own measures.

New policy of compromise between executive and legislative is indicated, which may result in dangerous measures from both sources being enacted.

Vocal Administration spokesmen emphasize and proclaim recovery at every opportunity, public and private. This is probably significant. Entering the last half of the term, the tendency is naturally to become more realistic. In 1936 the electorate will judge the Roosevelt Administration by practical results. Magnificent promises, worthy ideals, profligate philanthropy, heroic efforts, noble intentions, and achievements in 1933 will not get the votes of those not on Government payrolls unless recovery is undeniable and unemployment negligible. A bird in hand is worth two in the future bush.

Far outlook, therefore, is more encouraging to business than at any time since N R A caught the public favor—on the White House side. Recovery test will be applied henceforth in some degree, to every measure. Trend to the Right is practically certain, being both good politics and good business.

Radicals will rebel—have rebelled—and President will be pushed further toward the right,—or fall between the lines. Conservative sentiment is much stronger in Congress than when it convened in January, reflecting the ham-and-eggs resurgence of the mercurial American populace. Fight on the works-relief bill had a big element of opposition to the whole scheme, as being unsound and dangerous; conservative votes for the McCarran amendment were merely parliamentary strategy, to compel revision, practicability and sober second thought.

Half-baked measures with White House "okay" will be scarcer in the future. Miss Perkins is held responsible for the bull which put the President in the sorry position of having to confess to Congress through Morgenthau that the social security bill meant a drain of about $500,000,000 more on the treasury than was represented. The President simply took her word for it that it was actuarily sound.

Utilities destruction bill is getting some lucid second-thought at the White House. Members of Congress have been made aware that there are some solid people in the country who are watching them. An avalanche of letters and telegrams has poured in from people who have hitherto left the direct method of influencing legislation to the organized crackpots. On the other hand, the failure of the country to "rise up" in favor of the relief-recovery bill, as the White House expectantly listened was salutary.

President now intimates that the utilities measure must be considered very carefully, and that stockholders

as well as bondholders are entitled to justice; but adheres to his position that holding companies are inherently dangerous. Predict that the bill will have its face lifted up so extensively that it will be disguised beyond recognition, maybe stalled.

Washington in rows, bickering, compromise and confusion will not butter any business biscuits in the near future. As in the past, count on Government by omission or commission to swat any little boom that may start up between now and the home-going of Congress, which will doggedly stick to its scraps with the President and with itself until Washington gets literally too hot for it—say about June 15. Don't count on any business kick from the relief-recovery bill—but it will help to keep pressure up in business tires until they are finally patched.

Political pundits are pondering General Johnson's savage assault on Huey Long and Father Coughlin. Verdict is that it will prick the political boom of those two demagogues. It was the courageous act of a brave soldier and fearless patriot. Results may be far-reaching in its effects on rapprochement between the President and conservatives —possibly marking it as the oratorical prelude to a new alignment behind Roosevelt in 1936. Johnson becomes a power as Johnson. Watch him. Be sure the White House is watching him—and not without some regrets, perhaps remorse.

Food prices leaping upward afford a dismal background for talk about deliberately jacking them still higher. Public is now getting a chilling object lesson in the meaning of inflation, through the good offices of Mother Nature, abetted by A A A. Nobody has noticed family incomes moving up with the grub bill. White House honors for high prices meet no applause from housewives.

Bonus will win at least in modified form, veto or no veto. At the least, present worth of the bonus certificates which are due in 1945, will be paid in appropriated cash—not in greenbacks. Relief-recovery may be whittled down to make room for bonus money. Congressmen figure there is more vote-paying politics in bonus than in relief.

Secretary Roper is being recommended as man for the President to use as liaison officer with Congress. As a practical politician he talks Congress' language; and knows a stump when he sees it. (President needs that sort of ocular ability.) He is a natural Conservative but with real liberal sympathies, and would love the job as an offset to the irksome task of squaring an anti-business administration with anti-administration business.

Agricultural Adjustment Administration seeks more power as N R A withers—wants a three-year extension, while the foreign market is being restored by trade agreements. Won't get it.

Eccles Banking reform bill is meeting with cross currents. It is getting unexpected Conservative banking support, not so much for what it is as for what it is not. Conservatives feel that governmental control of credit is fore-ordained, like it or not; hence they are fighting the principle less and less and concentrating more and more upon the form. Money radicals find the bill insipid—will strive to get some dynamite into it.

President has its probable enactment in mind when he made the remark to Washington correspondents that the dollar was still too high in reference to debt liquidation. Correspondents jumped to the conclusion that he was meditating further devaluation in retort for the slipping pound sterling, causing many casualties in Wall Street. President's thoughts turn more and more to credit reflation. Richberg knew what he was talking about when he guaranteed there would be no inflation with White House sanction—meaning fiat money, but President clings to hope of monetary miracle.

Watch for something sensational in that line, whether the Eccles idea prevails or not. Inflation of a sort is virtually certain, automatically or boosted. Problem a year hence will be to control it. Eccles thinks control of credit inflation is feasible. Lay all your plans for effective credit expansion—call it inflation or not!

Washington Sees—

Statistical position good—political position disturbing—in near business outlook.

Utilities legislation denatured or shelved.

General Johnson as Conservative Moses.

Legislative revolt putting an end to New Deal vogue in Congress.

President speaking out of turn for higher prices when public is mad at present prices.

Recovery as slogan of Administration from now on.

N R A due for Congressional trimming and oblivion as business factor of importance.

A A A has a bad bear by the tail in cotton control.

Considerable conservative support for banking reorganization bill.

No battle between the pound and the dollar.

Present value for bonus certificates—paid in real money.

Social security legislation handicapped by blunders.

Cotton regulation and manipulation has developed a distressing paradox. Making the cotton states prosperous, it has at the same time put hundreds of thousands of cotton-cropper tenants on the relief rolls. Uncle Sam supports them and the land owners get the benefit of higher prices and cash benefits — also from Uncle Sam. Policy has increased unemployment and human misery. Nervous Chester Davis, buried under letters from ousted croppers, is making a survey with a view to finding out why the tenants get the gate and the proprietors get the cash. Great is unplanned planned economy!

In the meantime Washington is getting anxious about the inevitable catastrophe in cotton unless world markets come to the rescue with higher prices and solve the problem of pegged domestic prices and accumulating cotton collateral in the Government's hands. Five million bales to liquidate somehow—and a falling pound curbing exports!

Stabilization talk revives, also talk of turning the dollar loose to cavort around with the pound. But if the dollar is now undervalued, it will go higher in an untrammeled field of currency competition. Actual outcome may be a battle royal between the American and British equalization funds, but doubt it.

Additional Units of Buying Power Needed More than Higher Wages

Rising Prices and Continued Large Unemployed Hold Back Business Recovery—Recovery Funds Would Be More Productive if Used to Spur Business Rather Than to Compete with It

By JOHN D. C. WELDON

WE are at a critical point in recovery. For the present, or recent, advance to continue it is necessary to keep its elements in equilibrium. The country's buying power must keep pace with costs of production. If prices mount and national income does not go up proportionately another setback is inevitable.

The outlook is not altogether encouraging that this balance will be realized. The nation is not presenting a united front in a common endeavor to improve the situation. Various selfish interests are intent upon superficially or momentarily improving their own situation without regard to the interests of the country as a whole.

The Crux of the Depression

We have undoubtedly made an aggregate advance, but the front is so ragged, so uneven, that it is exposed to defeat by the still powerful forces of depression. Virtually nothing is being contributed to the basic problem of unemployment. Job holders have benefitted, but there has been no increase of jobholders—no gain in the number of producing-consuming units. All of the industrial gain is practically within the same group that has been in possession of the fruits of national economy since the N R A rally in 1933. Ten millions of potential workers, possibly 30,000,000 people, are outside the circle of work, production and income. Full prosperity can never return until those thirty millions have their normal places again as workers and consumers, as producers and buyers.

Labor demands higher wage rates and shorter hours, which can only mean a decrease in production and an increase of prices.

The farmers are still intent on production control, which means a continuation of processing taxes, higher prices and the loss of export markets.

The monetary faddists are rabidly set upon inflation in one form or another, and the Government looks toward forced credit inflation. If inflation "takes" prices will rise, which is what its sponsors want, but the history of all inflations is that income and production do not keep up with the ascent of money prices—and there are certain fixed or controlled prices which are not affected by inflation—also certain sorts of income.

Then there is the group of hide-bound conservatives, who enter an omnibus "no" to all liberal proposals and defend all things established, however bad. All of these groups plus a rabble of thoughtless and reckless reformers are simultaneously exerting intimidation and political bribery upon Congress and state legislatures.

We have largely lost, through ill-advised legislation and administrative tampering, the old economic controls which tended to work together in a period of business convalescence. The New Deal's vaunted "planned economy" is remarkable for its conflict of plans. It has tended to check production and raise prices; it has aimed at increasing wages and salaries whilst endeavoring to curtail the product from which workers' income is derived.

At the same time it has, of course, frequently operated to reduce profits, even when the volume of business has increased. Profits are the indispensable spur of business trying to revive. When there is little or no profit there are few or no ventures in business—and it is the venturer who is always the mainspring of business expansion.

Virtually nothing, in consequence of business inertia and timidity, is being contributed to the basic problem of unemployment. After five years of the depression we still have ten or eleven millions of unemployed persons (about the same as a year ago), and more people on public relief than ever before. We have 20,000,000 people, or about one-sixth of the population, living entirely (through the medium of public expenditures and taxes) upon the work of 6,000,000 farms and the 30,000,000 who have industrial jobs, to say nothing of the unknown millions who are being carried through burden-sharing by families and by non-governmental relief agencies. Nothing substantially effective has been done since the summer of 1933 to put the unemployed to work and take the shackles of their support off those who are at work. Job holders have benefitted—but there is no increase of job holders—no gain in the number of producing-consuming units.

Virtually all of the numerous programs of recovery and

the expenditures of thirteen billions of dollars of public funds in artificial relief and stimulation measures have been negatived by governmental acts and policies which are repressive of the natural forces of economic recovery.

Planless Planned Economy

Even now, after two years of terrific expenditures and extravagant experimentation with many nostrums for economic cure, the Government deliberately continues policies and practices which discourage individual enterprise. And yet that same Government confesses that recovery must in the end depend upon private enterprise, and boasts of the thousand and one things it has done to help business.

Congress and the Administration, between them, are exhausting the nation's resources and mortgaging its future in pouring out artificial help, much of it futile or even actually destructive. Labor is being petted into indolence and capital pauperized into sterility at a time when hard work and energetic funds are the supreme need.

We are spending the national wealth as if we were a socialistic state in possession of all of the means of production; but we depend for the funds upon capitalistic organization of economy; thus we paralyze our existing economy without any of the advantages of a socialized economy.

The picture is not all of a piece. There are some marked gains. Some groups have been at least temporarily benefitted, and others have been set back. At the present time we have undoubtedly made an aggregate advance, but the front is so ragged, so uneven, that it is exposed to defeat by the still powerful forces of depression. And the dissension among and between the various armies fighting for victory on their respective fronts, without regard for the broken line which results, presents a golden opportunity for the enemy. It was such a condition, resulting from separate victories of separate armies that led to the defeat of the Germans in both the First and Second Marne battles.

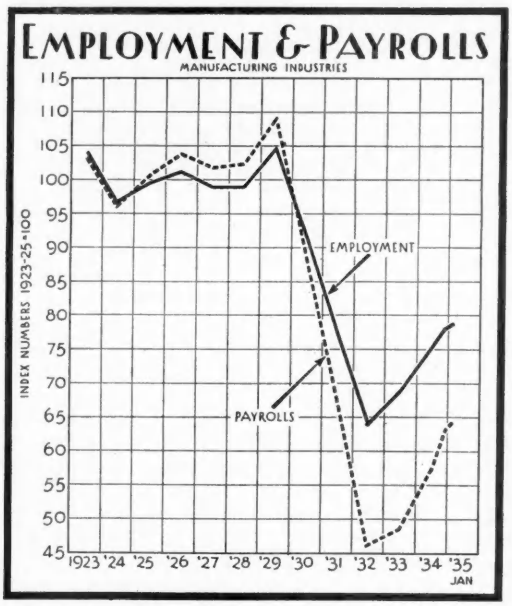
The most pronounced advance in the recovery struggle has been made in the agricultural sector. Farm income is about a billion more in 1934 than in 1933, and 1933 scored a considerable advance over 1932. Undoubtedly, artificial governmental measures have contributed to this certain, if precarious, gain, though Nature in the form of destructive drought has accomplished most of it. But one is naturally suspicious of the soundness of any gain which is based on both natural and willed destruction of wealth. Even in the midst of much rejoicing among the farmers, we find, for example, that the very gain in the total farm income has been accompanied by an enormous increase in rural unemployment and relief expenditures.

However, let us look at the figures. The total cash income of American farmers from sale of products during 1934 is estimated by the Bureau of Agricultural Economics at $5,051,000,000, to which must be added about $600,000,000 of governmental benefits. The income proper is 39 per cent greater than in 1933 and 19 per cent more than in 1934.

At prices prevailing in February of this year it is officially calculated that the present rate of farm income is about 60 per cent higher than it was in March, 1933. On the other hand the farmer's cost of living measured in cash has increased somewhat more than 20 per cent, but his net cash income gain is decided. However, the official outlook now is that during 1935 the income of the average farm family, including benefits, will probably not be much more than it was in 1934, and that living and producing expenses will be higher. It is held that the farmer's increased income after providing for absolute necessities will be largely devoted to paying debts. Consequently the full force of his larger income will not be evident in increased consumption and local trade.

Farm Self Support

But from his own standpoint, the average farmer has the advantage over the city worker in that of the goods and services he consumes those produced on the farm amount from 30 to 50 per cent of those purchased. In 1934, of course, the drought cut into this home support in some ways, although in the matter of meat enforced slaughter of meat animals made such supplies more abundant than usual on many of the drought-stricken farms —at the cost of depletion of capital.



Note.—This graph is for yearly averages except that monthly averages for December, 1934, and January, 1935, are also included. The "lows" for the entire period were reached in March, 1933, when employment stood at 58.8 and payrolls at 37.1.

The farm credit situation is much better. The mortgage debt has been substantially reduced through governmental intervension, local bank credit is more abundant and various governmentally sponsored and assisted co-operative credit agencies are more efficient than ever. The farm tax situation is improved. Taxes were about 15 per cent less in 1934 than in 1932. Farm wages increased a little in 1934, and will probably increase a little more this year. This increase is due mostly to P W A, C W A and direct relief competition for labor.

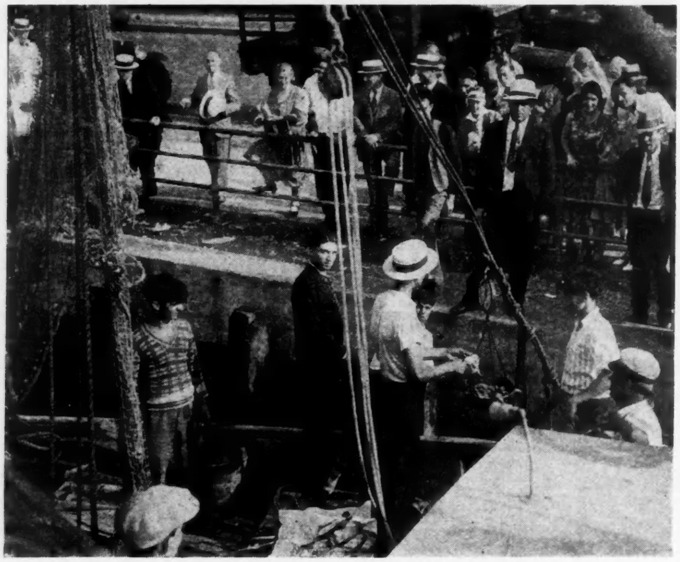
Prices of farm products in lump are now at par with those of all commodities, taking 1926 prices as 100; on that scale the former stood at 79.2 and the latter at 79.4 in the middle of February, according to the Bureau of Labor Statistics. But pre-war relation of rural and urban purchasing power has not yet been restored. From March, 1933, to March, 1935, the farm products price level jumped from 41.9 to 79.2, while all commodities ascended from 60.1 to 79.4. Still, the farmer is not yet getting from his raw materials as large a part of the consumer's dollar as he got in 1929. As the disparity between farm and urban prices has been one of the principal maladjustments before and during the depression, the marked reduction of it in the last two years is encouraging.

The other side of the farm picture is to be found in the general and city cost of living. While the city worker has gained in income rate by $100 to $200 a year assuming that he is steadily employed (which is a bold

assumption), his cost of living has not advanced during the past two years anywhere near as much as wholesale prices. They are up about 16 units, or some 30 per cent, higher than in the spring of 1933. The cost of living is probably 10 to 12 per cent higher than it was two years ago. During the latter part of 1934 there was some decline in living costs, but the cumulative effects of the drought on food supplies, notably meats, have been painfully in evidence in later months. Pork is up about 50 per cent at retail as compared with a year ago; lard, more than 80; meats, as a whole, 30 per cent; butter, 40 per cent; lamb, 20 per cent; ham, 50 per cent; eggs, 80 per cent; fruits and vegetables, 23; miscellaneous foods, 19; bread, 35; milk, 14. But, happily, bananas are, down by all of 2 per cent—but bananas only.

The Department of Agriculture predicts that foods will cost 11 per cent more in the first half of 1935 than in the last half of 1934, but figures that the total cost of living will not be greater than 4 per cent more.

On the other hand, clothing has advanced, net, little, if anything in two years, rents are a trifle lower, so with fuel and lighting, miscellaneous goods are the same, and furniture reveals a slight rise. However, in figuring the variations in the cost of living the budgets of wage earners and low salaried workers only are considered. These classes buy the cheapest qualities in these times, and in weighting the different factors to determine averages, only 38.2 per cent of the total budget is allocated to food. This explains why the officially figured cost of living is so much lower than the price changes would suggest. Cost of living based on actual family purchases has not been officially calculated since November, at which time the percentage of increase over December, 1933, was figured at only 5.2 per cent.



Nesmith Photo.

Selling Fresh Fish Direct to Consumer

City Man's Purchasing Power

According to some figures the city worker's income has not increased as much as his living costs—so that his purchasing power is now less than it was two years ago. Other figures tend to show that his rate of weekly income is now about 25 to 30 per cent higher than it was two years ago, while his living costs have increased 10 or 12 per cent. Nobody knows exactly but the Bureau of Labor Statistics index for employment in manufacturing industries stood at 58.8 in March, 1933, and payrolls at 37.1, whereas in January, 1935, employment stood at 78.6 and payrolls at 64.1. These index figures would indicate a gain of about 30 per cent in the rate of pay. But certainly the actual yearly income of city workers has not increased that much. Perhaps $150 would be a good guess. The Secretary of Labor estimates that the net gain in purchasing power of the average weekly wage has been 10 per cent since the first of 1933.

However, while the general tendency is for living costs not to respond promptly to changes in wholesale costs, once they get a good start their upward rise often exceeds wholesale increases. The outlook then is that the city worker, unless conditions greatly improve, will soon find himself worse off in purchasing power than he was two years ago. At the same time, it is necessary to remark that practically all the officially recorded gain in employment was made in 1933.

We come, then, to this conclusion, that while there has been little increase in urban purchasing power and employment since the end of 1933 (and soon may be none) the farmer's purchasing power has advanced greatly. But there are only 6,000,000 farmers, as compared with about 30,000,000 employed city workers.

The effect latterly of N R A and its codes has been to increase unit costs, raise prices and cut profits. A condition of prosperity is satisfactory profits and increasing employment. With slim profits, if any, and rising costs, the business man is not prompted to venture and employ more people. On the contrary he concentrates his attention on offsetting growing labor costs by the introduction of labor saving machinery. While the weather must be blamed for most of the increase in the cost of living, the result is precisely what A A A sought to bring about, that is, to raise food prices—and so the cost of living—at a time when unemployment was rampant and the incomes of those employed all too small. Now, the inevitable is happening, consumers are going on strike—and no man can say how much greater the consumption of farm products would have been had prices remained low. Had that been the case increased city income would undoubtedly have led to larger consumption, whereas now consumption is checked. Unless industrial costs cease to rise, the alternatives are suspension or increased prices of products—either of which will be disastrous.

Wages Rise, Employment Static

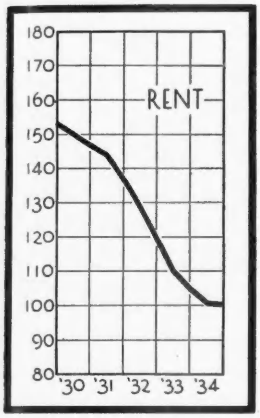
At the same time the unemployment situation does not appreciably improve. Wages rise, but not employment; recovery is within a charmed circle, and at least one-sixth of the population shivers in the outer misery.

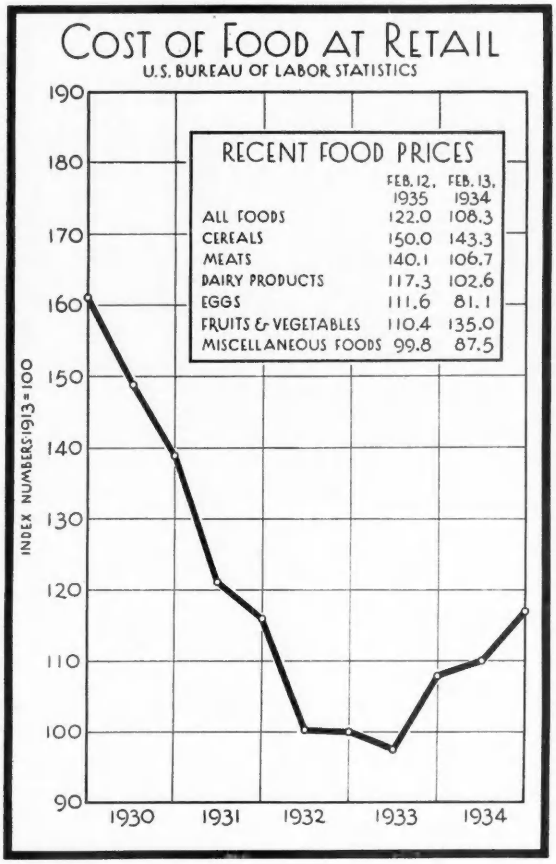
So, the Government feels compelled to resort to a great public works program to give employment to the employable who are now on relief. All this amounts to in the way of cure is that $2,000,000,000 may be spent in the purchase of supplies and materials, as the difference between the cash the unemployed are now receiving and what they will get as workers *(Please turn to page 648)*

The Cost of Living

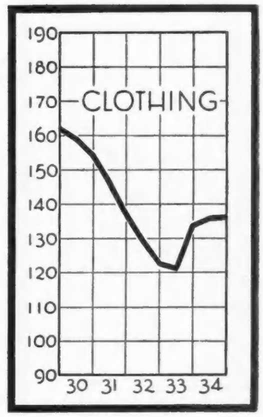
A Graphic Story of Rising Prices

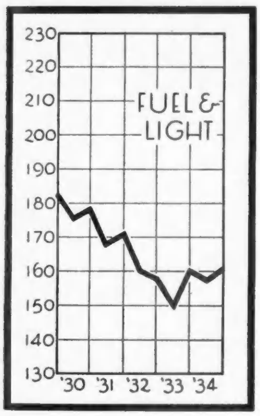
By Warren Beecher

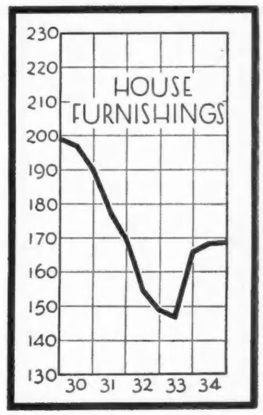




	FEB. 12, 1935	FEB. 13, 1934
ALL FOODS	122.0	108.3
CEREALS	150.0	143.3
MEATS	140.1	106.7
DAIRY PRODUCTS	117.3	102.6
EGGS	111.6	81.1
FRUITS & VEGETABLES	110.4	135.0
MISCELLANEOUS FOODS	99.8	87.5







Farmer's Living Cost

based on $1,000 income

Annual income rate January, 1933 ..	$1,000
Annual income rate January, 1935 ..	1,500
Increase in annual income	$500
Increase in living costs	235
Surplus	$265

City Worker's Living Cost

based on $1,000 income

Annual income rate January, 1933 ..	$1,000
Annual income rate January, 1935...	1,200
Increase in annual income	$200
Increase in living costs	120
Surplus	$80

Farmers living costs have risen faster than those of urban workers, but higher prices for farm products plus farm benefit payments have increased farm income much more than N R A wage scales have increased the income of the city dweller.

Who Owns the Country's Leading Enterprises?

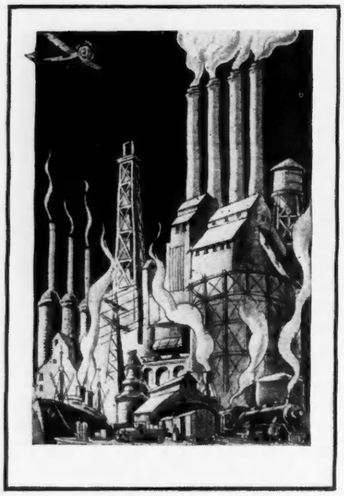
Surprising Facts Disclosed in Holdings of Corporate Officials

By George M. Rathbone

WHO owns the big corporations of the country? Once this ownership was largely in the hands of a few men, who piled up immense fortunes, or who went bankrupt in the effort to do so.

Has this situation changed? Where are the stocks of yesteryear? Who owns them, and the newer issues that have been brought out since the days when the "trust" was the object of public condemnation?

The big names in industry—do they represent actual majority ownership of their companies, or is it simply that they are the managerial element, holding their positions by reason of their recognized skill and ability?



First let us inquire where the stocks are that once were the certain assurance of dominance in the big business organizations. Where are the holdings that laid the foundations for the fortunes of many of the present-day multimillionaires—men who still can indulge in the luxuries that now are denied to many another who was their financial peer back in the good old days of speculative prosperity?

Who can say, except the former owners themselves? In former days there was no law, nor rule of mart that lifted the impenetrable veil and revealed the ownership of the treasures behind it.

Times change. The royal arcana of the past have become the open courts of publicity today. Yesterday's sacrosanct, through a legal metamorphosis, is the common possession of all, these days—when iconoclasm has smashed many a financial and industrial idol.

Kenesaw Mountain Landis, he, the present czar of baseball, then a Federal Judge, fined the old Standard Oil Co.—the trust—the odious octopus—$29,000,000, and the world contemplated this judicial procedure with amazement. Such a penalty was unheard of then—and still is, for that matter, since a higher court voided the Landis decree. But, at the time of rendition the court verdict excited as much comment and mental speculation on future possibilities as the gold clause cases have in the past few weeks.

The shifting of securities on the downward side has taken from the values of these stocks in prosperous times many times the total of that immense fine—and still have left the holders with great fortunes.

The depression clipped the wings of many a soaring financier, who, like a modern Icarus, flew too close to the hot center of speculation. The ranks of the millionaires have been thinned. The vacancies created have not been re-occupied, for fortune has called to few since she first frowned on riches back in 1929. But it may be remarked that there are enough left to excite the envy of the less fortunate, so that the raucous cry of "soak the rich!" still echoes in legislative halls, and still appeals to the ears of the groundlings.

The Lord gives—and He has not taken entirely away!

"We know what we are," quoth the mad Ophelia, "but we know not what we shall be."

So, thanks to Section 16 of the Securities Exchange Act of 1934, we know, or can know, what the officers and directors of corporations, listed on registered stock exchanges, hold in securities of their companies, and what are the holdings of individual owners of more than 10 per cent of the stocks of any one listed corporation.

We now know, for example, that John D. Rockefeller, Jr., on whose shoulders the mantle of representative of the Rockefeller millions fell, when the elder Rockefeller retired, owns 8,588,620 shares of the common stocks of three of the Standard Oil group—or, more properly four of the old group, since one of the present companies is a merger of two former organizations. These are The Standard Oil Co. of New Jersey, Standard Oil Co. of California and the Socony-Vacuum Oil Co., Inc. These stocks were valued at $212,381,000 as of December 31, 1934.

We also know—though this is outside of the Securities Exchange Act record—that John D. Rockefeller, Jr., is a large holder of stock in the Standard Oil Co. of Indiana. In 1928, Mr. Rockefeller, testifying before the Teapot Dome committee of the United States Senate, revealed that he was then the owner of 402,280 shares of the common stock of the Indiana company, while the Rockefeller foundation owned 460,760 shares and a little over 400,000 shares

were held in trust, by the Equitable Trust Co. of New York, for the two sisters of Mr. Rockefeller, this trust having been set up by the senior Rockefeller. One of these sisters—Mrs. Edith Rockefeller McCormick—has since passed on—causing beneficiary ownership changes, and no doubt there have been some other changes since this testimony was given. No report of the holdings of the Indiana company have been made as yet under the new law.

But what have become of the Rockefeller holdings of stocks in other of the constituent companies of the old "trust"? No reports of these other companies have been filed. Even if they were, unless Mr. Rockefeller were an officer or director in any of these companies or owned 10 per cent or more of the equity stocks, his holdings would not appear in the reports. Yet one is led to wonder what has become of the Rockefeller holdings in the various Standard Oil companies, since the "trust" was dissolved and stocks distributed, pro rata, among the constituent companies of which there were thirty-three. Is one justified in drawing the conclusion that the Rockefeller holdings have been concentrated in the four big "Standard" companies?

Some of the underlying companies that were separated from the parent company have since been reunited with one of the big companies. Others have combined. Two—Prairie Oil & Gas Co., and Prairie Pipe Line Co.—have been taken over by the Consolidated Oil Corp., on a stock exchange basis. What became of the original Rockefeller holdings in these two companies?

General Motors Corp. has made millionaires of most of its principal executives, but was not so good in the past to all of them. In fact, the man who was chiefly responsible for General Motors as it is constituted today, is entirely out of the picture of the mighty corporation, and is currently reported to be far from a millionaire. W. C. Durant, whose name has flashed time and again across the speculative sky, who lost, regained, and lost again the control of the company and its predecessor, gave way to the duPont interests after the disastrous depression period of 1920-1921. To these interests have been attributed much of the success of the corporation. Mr. Durant might well ask: "Where is my General Motors of yesteryear?"

Much of it, with, of course, the added shares created through a stock split-up is now directly or indirectly owned by the duPont family. Of the common stock 11,928,052 shares were owned at the latest report, by General Motors Securities Co. E. I. duPont de Nemours & Co., Inc., controlling the securities company, thus owned 10,000,000 shares of General Motors common stock, and in addition it owned 200,000 shares as a temporary investment. At the same time Lammot duPont, president of the duPont company, owned 49,100 shares of General Motors common, and Pierre S. duPont, chairman, owned 121,632 shares of common and 10,000 shares of the $5 preferred.

Ownership of the great industrial organizations of this country is scattered among many stockholders, and contrary to the popular opinion, there are few instances in which one man, or even a group of men hold the majority of the stock. Perhaps the shares in no one corporation of great size, are more largely held by one group than the common stock of E. I. duPont de Nemours & Co. And yet the entire holdings of the duPont family, direct or indirect, are estimated at only about 30 per cent of the outstanding issue.

The individual holdings of members of the family are comparatively small, but the Christiana Securities Co., all of whose officers and directors are duPonts, is believed to own over 3,000,000 shares of the common stock, which, with individual member holdings, accounts for about 30 per cent of the issued shares. The report to the Securities and Exchange Commission shows duPont family common stock holdings as follows: Eugene, 71,124 shares; Eugene E., 102,003 shares; Henry B., 5,742 shares; Irenee, 37,000 shares; Lammot, 37,000 shares; Pierre S., 33,352 shares.

The holdings of yesteryear of common stock of Radio Corp., which has been up and down the speculative ladder, from the heights, almost to the extreme bottom, in the past six years, have undergone a most marked change. Under an agreement, entered into in 1930, Radio issued 6,580,375 of its junior shares to General Electric and the Westinghouse Electric & Manufacturing Co., in the ratio of 60 per cent to the former and 40 per cent to the latter. This was in exchange for certain exclusive licenses. But the Government did not look upon this transaction with a favorable eye and entered suit, with the result that a consent decree was entered whereby each of the electric companies was to dispose, within three months, of 50 per cent of its holdings by distributing them to its individual stockholders, and to divest itself of the remainder within three years, by distribution to stockholders or otherwise.

Under this decree General *(Please turn to page 647)*

What the Insiders Own

This is a tabulation, at random, of the holdings of some of the officers and directors of various corporations, showing their ownership of equity stock in their companies, and the proportion of their holdings to the total stock outstanding:

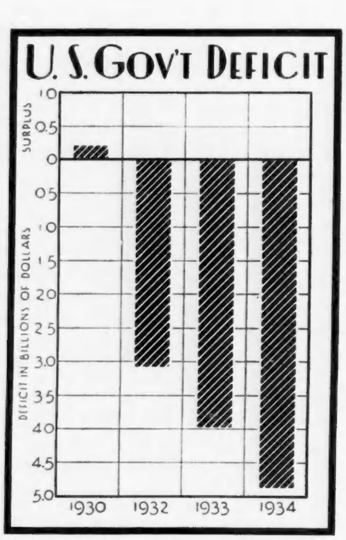
Owner	Company	No. of Shares	Total Shares Outstanding	Percentage of Ownership
Rufus L. Patterson, President	American Machine & Foundry Co	50,566	1,000,000	5.00
W. R. Timken, Vice-President	Timken Roller Bearing Co.	289,962	2,411,380	12.00
George M. Moffett, President	Corn Products Refining Co	67,225	2,530,000	2.65
C. A. Cannon, President	Cannon Mills Co	193,443	987,800	19.57
Harrison Williams, Chairman	North American Co	197,376	8,518,281	2.31
J. B. Vanderbilt, Vice-President	Penick & Ford	63,773	390,000	16.36
J. C. Penney, Shares held by Holding Company	J. C. Penney Co., Inc	24,430 29,980	2,468,984	2.20
C. R. Walgreen, President	Walgreen Co	48,671	759,435	6.40
E. T. Weir, Chairman	National Steel Corp	52,066	2,156,832	2.41
Seymour H. Knox, Director	F. W. Woolworth & Co	9,320	9,750,000	.95
J. Wilshire, President	Standard Brands, Inc.	51,225	12,644,269	.40
S. H. Evans, Secretary	Trico Products Corp	17,456	374,991	4.65
H. Kellogg, President	Spencer Kellogg & Sons, Inc.	57,100	500,000	11.40
F. Melville, Jr., Chairman	Melville Shoe Corp	60,750	371,461	16.37
J. E. Aldrich, Director	Gillette Safety Razor Co	33,678	1,998,769	1.69
Max Epstein, Chairman	General American Transp. Corp.	35,349	818,203	4.27
Adrian D. Joyce, President	Glidden Co.	35,952	633,659	5.68

Where Is the Money Coming From?

Continued Lavish Expenditures and Excessive Federal Borrowing Point to Higher Taxation or Inflation.

By Thomas L. Godey

"THE Government does not get money magically, or like you pull apples out of a barrel," said Donald Richberg, currently one of the most prominent of the New Dealers. No? Well, what was that three-billion-dollar "profit" made by the United States Government when it devalued the dollar? If this wasn't true magic, it certainly had all the surface earmarks of magic and could very well be likened, not to pulling apples out of a barrel, but to pulling apples out of a barrel that never contained any in the first place.



Two billions of this "profit" went into the Stabilization Fund and now the last of it is to be used to retire the outstanding Consols and Panama Canal bonds. In other words, this country, magic-like, created a stabilization fund and by means of the same magic is about to retire obligations for which "real" money was once given.

Nevertheless, Mr. Richberg is right fundamentally and it is unfortunate that the truth of his statement can be obscured for a time by a psuedo sleight of hand. Every nickel spent by a government (if it is to have value) has to be taken from some man who had to go out and work for it. Thus, justification for a lively interest our Government's finances. And now more than ever justified that expenditures have risen to fantastic heights, with basic issues lying half-hidden under a policy of borrowing the difference between income and outgo and distorted by monetary manipulation.

Leading up the question "From where is the money coming," the answer to which is really the heart and soul of our future economy, let us pause for a moment and glance over the situation as it exists today. For the first eight months of the Federal fiscal year which ends next June 30, the Government exceeded its income by $2,249,923,235. The gross public debt at the end of February stood at $28,525,994,302, or, about two-and-a-half billions greater than at the same time last year. In the four years between June 30, 1930, and June 30, 1934, the public debt increased almost eleven billions of dollars.

It is possible to expand on these figures almost indefinitely, but figures are seldom very interesting and to figures as large as these there is the added objection that the human mind cannot grasp them. They serve, however, to show that the Government is going into debt at an alarming rate.

No one can say how close we are to the limit of natural borrowing, but we are certainly on our way. There is, of course, no sign of strain on the surface as yet. The Government can still borrow and, possibly more important, can still borrow at a very low rate. Indeed, the financing which was announced by the Treasury the other day is to be carried out at the lowest rate of modern times.

The most recent financing involves the calling of $1,850,000,000 in Fourth Liberties 4¼s, and $528,000,000 in Treasury notes which mature next April 15. In exchange for the Liberties the Government is offering 25-year bonds with a 2⅞ per cent coupon, while for the notes there is offered a new 5-year issue yielding only 1⅝ per cent. For a holder, there is only the choice of taking the offered securities, or cash. Those that elect to take cash will, of course, be paid off, but they will be comparatively few in number, because the return obtainable in the open market on similar securities is even less than is obtainable from the new ones. In other words, the Government plan to save upwards of $25,000,000 annually in interest charges on the long-term bonds alone is certain to be a success.

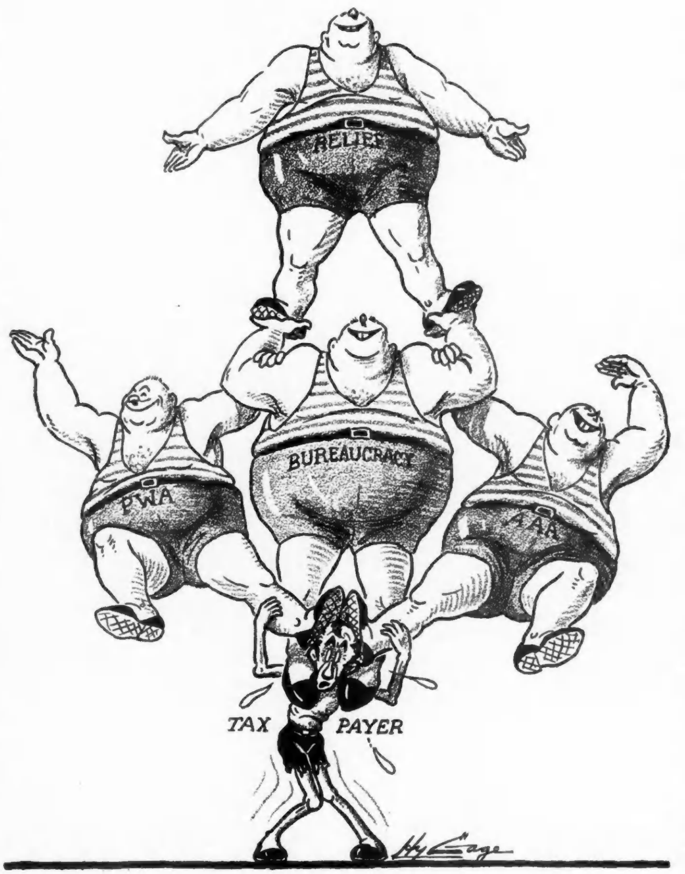
The ability to borrow so cheaply is often cited as evidence of the Government's high credit standing. As a matter of fact, this is a wholly incorrect conception: a Government's ability to borrow internally does not rest on "credit standing" as does the ability of the individual borrower. In 1928 and 1929, the yield obtainable from the Federal Government's long-term bonds was in the neighborhood of 3½ per cent. And this was at the time when the United States was riding the crest of the wave. The people were prosperous; the budget was balanced; and never did anyone even dream of cutting the gold content of the dollar by 41 per cent. To say that the Government's ability to finance now at a lower rate than in 1928 and 1929 reflects an improved credit rating is manifestly absurd—hence, the previous statement that credit standing is not a factor in the internal issuance of a government's securities.

The principal factor dominating the return obtainable from Federal issues is the quantity of loanable funds in the

market. When business is active and requires money, there is liquidation of Government bonds and, thus, the return rises as business activity increases. Contrarywise, when business is as stagnant as it is at the moment, banks and others can place their money no where but in governments and as a result the return obtainable from these issues declines. Currently, the banks of this country are holding not far from half the public debt of $28,000,000,000 and there arises the not unreasonable observation that the Government has siphoned from the banks a tremendous quantity of money that really should be in use commercially. Would it not be preferable to the situation as it exists, if the Government were paying a little more for its money and business were active?

It is often said that the Government is nearly to the limit of its borrowing capacity; the recent issuance of "baby bonds" has been cited as evidence that the usual sources were drying up. Both are untrue. Theoretically, there may be statutory limitations to the public debt, but there is never anything insuperable in such obstacles. As a matter of fact, right now we are in process of raising the statutory limitations on the Federal debt and this can always be done, to say nothing of its being possible to pass laws liberalizing the various ways in which Government bonds may be employed as backing for currency. As for the "baby bonds" this was merely someone's "bright" idea. If they replace a few dollars of hoarded currency, they will do no harm; to the extent that they replace savings bank deposits, or other mediums for investment open to the masses, they will be destructive; but the Government did not *have* to issue them and so long as they remain in their present form (non-transferable) they are of little importance one way or another.

Make no mistake about it, a government can always borrow, or appropriate in the guise of borrowing, the capital of its citizens. Of course, the minority vote in the recent Supreme Court decisions in the gold clause cases called attention to the monetary hocus-pocus in which we have indulged and it may be the means of solidifying public opinion against continued excessive borrowings on the part of the Government and against renewed monetary tinkerings in the future. But if this resulted in a more orthodox attitude towards finance on the part of Washington, it would be because public opinion so ruled and not because of any natural bar to the continuance of current policies.



Unfortunately, such a prospect is ill-defined; the probabilities, at least for the next year or two, favor a continued Federal deficit, to be covered by continued borrowing. This will be carried out successfully and perhaps at rates even lower than any that have been seen. Superficially, it may be gratifying to a holder of fixed-income securities to know that the chances clearly favor the maintenance of the current high level for a time, but basically a government deficit is menacing to all forms of investment and all kinds of business. The threat takes two forms, taxation and inflation.

Obviously, no government can go on spending forever more than it receives. Sooner or later it has to begin paying off and the longer a deficit has lasted, the greater the service charges and the harder it is to redeem any of the principal. But a rise in taxation always is deflationary. It tends to restrict the opening up of new business activity and tends to lessen the profits of existing business. It makes it harder to pay dividends and interest. It raises the cost of living, thereby making for a lower standard, and is an undermining influence on security values, whether stocks or bonds.

Heavy taxation is bearish on both business and securities. It swings investment more and more to government obligations, for who is going to take a chance with his money, knowing, if he makes a profit, that the greater part will be taken by the Government, while if he makes a loss, the loss is all his own? Take a step further and see how this denotes a clearly defined swing away from private enterprise to public interprise, dependent on, and dominated by, government. Are we to become a nation of Frenchmen, working for the Government, and, if we have any savings, investing them in rente-like bonds?

Yet, this is what will happen if we run deficits similar to those of today and then elect to liquidate them by means of taxation. At this point, someone is certain to remark that perhaps it will not be necessary to increase the *rate* of taxation, for success to the Government's present pump-priming activities might mean the Federal debt's liquidation on the present rates. To this, the correct reply is that to such pump-priming activities as our Government has indulged in there is not a successful precedent in the world. True, our Government's revenues have risen over the past year or two, but the insignificance of the increase will be appreciated when it is realized that the offsetting item to the $2,250,000,000 deficit which was experienced for the first eight months of the current fiscal year was the increase of $377,000,000 in revenues. Thus, it is impossible to avoid the conclusion that the liquidation via taxation of any such deficit as we

(*Please turn to page* 645)

Significant Foreign Events

By George Berkalew

Foreign Representative of The Magazine of Wall Street

England—Welcomes Sterling Decline

Britain must regain her world position. Recovery on an internal basis has been demonstrated as impractical. Stimulation of her exports should result from a moderate decline of the pound in relation to other currencies. Thus the probabilities are that she views the recent drop with equanimity.

This is not to imply that she necessarily engineered it. The recent descent to a new low level is attributed primarily to the withdrawal of French funds created by a wave of pessimism. The gradual decline of the pound was accelerated by front page editorials of Lord Rothermere's papers, predicting monetary collapse and an inauguration of a socialist government. These misleading editorials, apparently timed to coincide with certain private market operations, have since been generally condemned. Also the pound's weakness reflecting Chamberlain's adamant stand on stabilization is, in a measure, due to a voluntary decision on the part of the Bank of England to allow sterling to seek its own level. It is questionable, however, whether this will be permitted to take place rapidly. No currency war is desired. England cannot stand a stimulation of her exports at the expense of rapidly increasing prices for her raw material imports, nor retaliatory measures by other countries. Financial circles abroad clearly recognize the threat of further devaluation of the dollar and the intervention of the British Equalization Fund is expected to check, at least for a time, the pound's decline short of the $4.50 rate. Contrary to popular opinion, the British Equalization Fund is not used to peg sterling at any fixed rate in relation to the franc. Its recources, even if desired, are inadequate for this purpose, on the contrary, the fund is employed reservedly to prevent sharp fluctuations in exchange.

* * *

Commercial Accord With Belgium

The first of the commercial accords with Europe, initiated by Secretary Hull, has been officially announced. Like the trade treaties concluded with Brazil and Cuba, Belgium has less to lose and more to gain by swapping tariff concessions with the United States. Since the collapse of Minerva Motors, her domestic automobile production became negligible, hence reduction in duties on parts imported from the United States afforded no great sacrifice. Antwerp plants would benefit through re-exports of cars to Europe and North Africa. Belgian hand-made lace, cement and glass industries, on the other hand, endorsed the agreement with jubilation, but bulb exporters found occasion to reiterate their ancient grievances against our so-called "discriminatory" sanitary regulations. One important wrinkle in the accord figuring indirectly in the negotiations, is the report that Belgium will widen the market for Danish butter, in exchange for the privilege of installing a telephone system in Denmark, thereby settling a controversy of long standing, and incidentally awarding the Bell Telephone Co.'s Belgian subsidiary a profitable contract.

* * *

Can the Gold Bloc Avoid Devaluation?

The Gold Bloc Commission of the International Committee of Exchange was reunited recently at Brussels. Since the initial conference of October 19, representatives have been deliberating on effective methods to preserve some semblance of unity within the framework of the Gold Bloc Economic Federation. Because of the absence of practical proposals, the second meeting of Gold Bloc delegates was either overlooked, or received but scant mention in the world's press.

The proceedings, by reason of their lack of prominence, should have been seized upon as a most significant and ponderable item of news. Brief excerpts of the recommendations presented, eloquently bespeak the alarm of the delegates: "convinced that if the gold bloc is not immediately active and effective in the economic field as well as in the financial, it will disintegrate, rendering impossible the maintenance of actual monetary parities."

Imperative measures suggested included general "enlargement of quotas existing between adherent countries, urgent solicitation of Great Britain's collaboration in simultaneously reducing tariff barriers, and finally the creation of a central clearing house to control commercial credits until the re-establishment of normal trade conditions."

The practical considerations, which stand in the way of the realization of these ends, present well-nigh insurmountable obstacles.

For several weeks, the belga, pegged with difficulty just above the gold export point, has caused grave concern both in London and Paris, but commerce ministers are expected to lend a deaf ear to appeals for export concessions. For example, French Minister Marchandeau is purported to have stated privately that quota or tariff privileges for Belgium are not in order. Far-sighted, he reasons that such privileges would be retained with no reciprocal advantage to France, should Belgium fail, in any event, to keep her gold moorings. Unlikely, also, is any relaxation of British protectionism, at least until her dream of regaining her former export position is nearer realization. Meanwhile the fall of the pound has increased the gravity of the

Belgium situation, and there is strong probalility of her breaking away from gold.

Outright insubordination to gold bloc doctrine was Italy's sudden decree, drastically limiting all imports to minimum proportions—a belated attempt to save the lira. Colorful military maneuvers and spectacular troop embarkations for Abyssinia may, momentarily, stir Fascist imagination sufficiently to deflect public opinion from probing into the sorry plight of the nation's financial condition. But the day of reckoning must come.

Thus repeated assurances of gold bloc solidarity fail to square with the facts. On the contrary, in devaluation as in war, protective preparation frequently foreshadows the very consequences it attempts to avoid.

* * *

Germany—The Landscape Changes

Contrasted to straight jacket farm control of the A A A brand, Germany has embarked on a program of diversified agricultural expansion. Imports of cotton and wool, cut off by economic necessity, left the German textile industry hard put for raw materials—fell back on official ingenuity to provide substitutes. Germany, one of America's best cotton customers, is revolutionizing her textile industry. Her import restrictions must produce serious repercussions in the Southern states, especially when consideration is taken of the fact that total United States exports dropped off 40 per cent during the last cotton season.

The use of nettles mixed with rayon, a makeshift of war-time days, scarcely measures up to the standards of material well-being promised by National-Socialist propaganda. Hence, Nazi officialdom mobilized peasants in Southern Germany, promised seeds, technical assistance, a ready market for the cultivation of flax and hemp on unused land. The surplus production of dairy products, which gave rise to abhorrent "cheese weeks", will be curtailed and instead sheep herding intensively developed in mountainous grazing areas.

The textile industry, particularly the rayon branch, with increased capacity, is now technically equipped to manufacture new fabrics at low cost, composed of mixtures of wool, flax, hemp and even nettles—fabrics stated, infinitely superior in quality to the so-called war-time cellulose "paper suits".

In the north of Germany, the flat stretches of heather land, near Hanover and on the Polish frontier, are put to an entirely different use. Large-scale excavations in the loose soil of these regions have, for some time, aroused the curiosity of military attachés and, carefully guarded, escaped the prying eyes of press correspondents. Stray yokels report strange sights of planes darting from the earth like wild bees swarming from subterranean hives. These phenomena of bomb-proof airdromes lead one to speculate as to the actual strength of Germany's military air force, especially at this time of Anglo-French overtures for German arms equality and Air Pact acceptance.

Coincidentally, all youths having attained the age of 15 are thoroughly tested as to their air-worthiness and, if eligible, given a full three months' course in elementary flying, thus providing an incalculable reserve force of pilots and mechanics in case of national need.

Another use of the German landscape—disbanded storm troopers, won over by Communism in large numbers, utilize sequestered meadows as rifle ranges to perfect their anti-Nazi marksmanship. Most recent reports indicate that many of these outcasts have abandoned the Communist camp, joined up in considerable numbers with the Reichswehr, which is gradually absorbing dissenting Nazi factions. Furthermore, to propitiate Conservatives, the sale of original copies of Hitler's "Mein Kampf" has been prohibited. The new issues omit the Fuehrer's most blatant fanaticisms with the text tempered to suit the reactionary political philosophy of present-day Germany.

* * *

China—Rocked by Our Silver Policy

Silver Senators of the United States descanting not long ago on their great concern for the sad fate of a billion people in the Far East because of the West's idolatory of gold, have little to say these days about the mischief their folly has wrought in China. Our silver legislation, by continuously raising the value of the China dollar, has upset the money standard of that country, in their surpassing love for China and silver the Wheelers, Pittmans, Thomases and Kings have brought a business depression to half the toiling billion of humanity for whom they wept, and have probably knocked out the silver standard in its only remaining place in the world. Our silver purchases have caused a rise of silver and a consequent fall of prices and money values with a dwindling of business in China. Merchants fail, banks suspend and coin flees to vaults. Speculators thrive grandly; the British-owned Hongkong and Shanghai Bank is reported to have made a profit of $60,000,000 on the silver which overflows its storage bins and fills those rented from its fellow banks. In their distress the Chinese turn to Japan for a financing loan and turn furiously against the nation that has wrecked their economy for the sake of a piffling domestic political sop to a handful of its citizens. We are willing, of course, to join other powers in a Chinese loan, but the Japanese wish to make the loan, which will be no more than an extension of credit through which they can increase exports to China, and consequently have no intention of letting us help repair the injury. The Congressional silverites in making a few votes for themselves and a little money for their voters, upset prosperity in China, played into Japan's hands in its plans to exclude us from the western shores of the Pacific.

Silver prices in London advanced to 25.1/8 pence, the highest level attained since November of last year. This trend is attributed in part to the Chinese prohibition on sales and to continual purchases by the United States. The opinion in financial circles in London anticipates an unabated progression in accumulation of silver for Treasury account. Also now that the gold clause has been definitely disposed of, India has embarked on a program of silver acquisition, an additional factor contributing to support the belief that the upward price movement will be prolonged.

Contrary to anticipations in some quarters, the Chinese Finance Ministry stated that it had no intention to abolish the silver export duty or equalization charges.

An Unadorned Picture of the Motor Industry

What Current Activity Means to Business Generally and What It Means to Manufacturers' Profits

By Henry Richmond, Jr.

AUTOMOBILE operations are now sufficiently close to their seasonal peak to permit of stock-taking. Always, during December and January the outlook is obscured by fanfare and the skillful stimulation of the natural public interest in new models. The new cars are always "faster, more powerful, more durable, safer, bigger, and more economical" than the previous ones, and each manufacturer is always serenely confident of his ability to dispose of a greater number than ever.

The present year was no exception, although the financially-minded —more particularly stockholders— were worried over profit-margins. For weeks, Ford had all the other boys on tenterhooks. Knowing his firm belief that the road to prosperity lies in large volume at low prices, which he obligingly restated just when everyone from the Federal Government down was trying a theory of destruction, consequent scarcity and therefore higher prices, led to fear that he would slash the prices of his cars and trucks just to emphasize a difference of method. But suspense never lasts for ever: Ford published his prices and, checking them over, other manufacturers decided that while they were low in view of higher costs of labor and materials, there was still a chance for them.

In the meantime, there has never been any uncertainty about volume of production, at least for the first part of the year. It started in with a bang and has gained momentum, making even the most optimistic prophets of a few months ago appear conservative. Factory sales in January, according to the Department of Commerce, totalled 292,765 vehicles, which compares with some 157,000 in January, 1934 and with 129,000 in January, 1933. These figures are for the United States alone. In January this year Canada added nearly 11,000 units, compared with 7,000 in the corresponding month of last year and 3,400 in 1933. Total production in February should prove to have been about 355,000 units while, bar untoward eventualities, output this month should go considerably above the 400,000 mark. In other words, an output in the first quarter of well over 1,000,000 vehicles is practically assured, with a fair possibility that it may go about 1,100,000.

A Good Customer

The automobile industry consumes:

85% of the Gasoline output
80% of the Rubber output
70% of the Plate Glass output
57% of the Lubricating Oil output
39% of the Lead output
28% of the Nickel output
23% of the Aluminum output
23% of the Steel and Iron output
19% of the Copper output
9% of the Hardwood output

(Data from Automotive Industries)

Naturally, the current activity in the automobile field is having a lively effect upon general business, and perhaps even a livelier effect upon many business indices. Automobile output is a figure so easily and promptly obtained that it is apt to play a conspicuous part in any business activity index with a possible sacrifice of strict accuracy. Nevertheless, it *is* an important factor. It has played the main part in raising steel production this spring to 55 per cent of capacity and, although steel has since lagged somewhat, the clearly defined prospects for considerable automobile activity over the next two or three months, leads one to believe that steel output will not show any drastic decline for a while. Latest reports show output slightly improved.

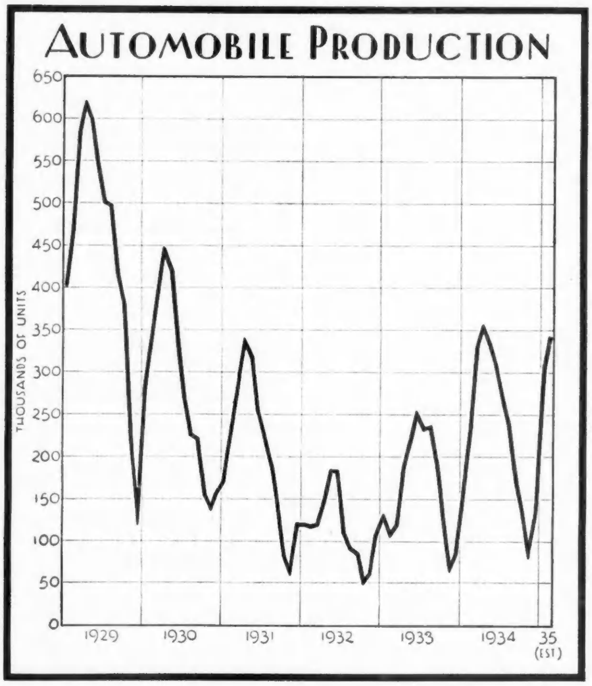
Automobile activity also is having its effect upon the rubber and glass industries. In recent years the rubber industry has made no real money owing, apparently, to an inability to sell its production for more than it costs to produce. There have been tremendous advances in the price of cotton and rubber, in addition to advances in wages, taxes and general overhead, which, so far, the advances in tire prices have been inadequate to offset. There is, however, talk of tire prices being raised again shortly, and it may be that this time the higher selling prices coupled with the increased volume of production will yield a fair profit. In any event, all the activity makes for better general business and employment. Members of the glass field have had a great time over the past year or two, what with the repeal of prohibition, rising automobile activity, and the benefits derived as a result of the swing—stimulated by legislation—towards safety glass.

A number of metals are feeling the effects of what is being done in automobiles. Nickel output has risen and, because this is among the few businesses in which price does not play a part, the International Nickel Co. of Canada, Ltd., enjoys a state of considerable prosperity.

Likewise, the Aluminum Co. of America as the only producer of virgin aluminum in the country, and Bohn Aluminum & Brass as the most important independent fabricator of the metal, see in the current automobile activity a powerful aid. On the other hand, there is so much copper in the country, to say nothing of the means of producing so much more, that the mere fact that the automobile is an important consumer of copper is not making a great deal of difference. To a lesser extent the same thing applies to lead. Although automobiles still require much lumber, the drift to all-steel bodies is well under way, a tendency which conceivably one day will cut off one of lumber's most important customers.

Other effects of the increase in motor manufacturing include direct stimulation of general business in the producing centers themselves. Detroit, for example, currently is a hive of general activity. Retail businesses of all kinds are feeling the favorable effects of the country's demand for cars. The public utilities have benefited and are benefiting from it. Note how the gross revenues—and also net income before extraordinary depreciation—of Detroit Edison have risen. Imagine the favorable effects that it must all be having on the communication and transportation companies in this territory.

It would be possible to trace the beneficial influence of activity in automobile production almost indefinitely. Nor can one deny its very great importance. It is, however, far from being the country's only business and, really, if one pauses for a moment to analyze our much talked-of recovery from the depths of depression there is not much to it aside from the automobile industry and retail trade. Even the retail trade improvement is more of a price recovery than it is an increase in the physical volume of consumption.



The great construction industries continue flat on their backs and all efforts to stimulate them artificially have been attended with conspicuous non-success if looked at through any other glasses than those worn by the high-priced publicity agents, which have been employed in the various schemes. As for the railroads, the increase in their traffic has been pitifully small and most of them long ago would have been in bankruptcy but for the liberal lending policies of government agencies. As for the so-called agricultural recovery, this is based entirely on price and bounty and there is not the slightest guarantee that it will be maintained except at steadily increasing cost to non-farmers. Let us, therefore, keep the automobile industry in correct perspective, recognizing its limitation in the performance of recovery miracles.

With this settled, we can turn to some consideration of the situation within the industry itself. Last year, General Motors, Ford and Chrysler sold some 91 per cent of all the passenger cars in this country, which leaves a mighty small market for the dozen or so independents. Ford and Chevrolet between them accounted for about 70 per cent of the 400,000-odd trucks that were sold last year. Likewise, these three companies accounted for the vastly greatly part of the $200,000,000 in passenger car, trucks, and parts which were exported last year. In other words, we have about reached the point where, in any general discussion, the three companies may be said to constitute the American automobile industry. This is not to say, of course, that the other companies have no place, or that their product is in any way inferior, but certain it is that the American automobile industry would be a very sorry affair without General Motors, Ford and Chrysler.

While Chevrolet nosed out Ford for first place last year by the narrowest of margins, the latter this year has obtained quite an edge on its principal competitor. Chevrolet made about 60,000 units in January and was hoping to assemble 80,000 in February: in January, Ford turned out about 105,000 units, of which 91,000 were made in the United States, and was shooting for 130,000 units in February. The Ford March schedule currently calls for some 180,000 vehicles. Chrysler shipped about 40,000 Plymouths in January, was hoping to do a little better in February and considerably better this month.

Last year, Plymouth lost a little ground in the fierce competitive battle over the low-priced field. It is too early to know whether it will manage to regain some this year, although a good start has been made. So far as the Ford and Chevrolet are concerned, however, the latter certainly has a handicap to overcome if it is to continue in first place. The prophesy of those that said that this would be a Ford year may well come true; anyway the present indications all point that way.

The threatened labor trouble, over which much concern was felt a few weeks ago, has waned to a considerable extent. William Green, president of the American Federation of Labor, has been on a stumping tour of the automobile centers, but from all accounts his reception has been very luke-warm. Elections held for the purpose of determining who shall represent labor in collective bargaining have made a poor showing for the A. F. of L., and the "big strike" is dissolving into a drive on the part of the A. F. of L. for members. While there have been strikes here and there in the plants of parts makers, it seems illogical for labor to seek a show-down in its present weakly-organized state. It may be, however, that labor will chance it, for a strike vote is to be taken shortly, but, even so, fears over labor are much less than in the recent past.

With the probabilities favoring no crippling labor trouble and with the public, at least for the present, taking cars

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America's Stake in South America

Less than One-Fourth of Debt Serviced in Full at Present—What are the Prospects—Shall Investors Accept Losses or Hold On?

By Dr. Max Winkler

EIGHT of the ten South American republics have dollar loans outstanding in the American market, and all eight are in default, in whole or in part, with respect to their own debts or those of political subdivisions. How it happened that American investors missed the other two or how the two managed to escape American bankers in their frantic search for borrowers, historians of the future will record as one of the freak events of the 'twenties. The total represented by South American governmental, provincial, and municipal obligations as well as by bond issues guaranteed by governments or political subdivisions, aggregated at the beginning of the year, $1,365,013,935 of an original amount of $1,565,419,235, indicating that $200,405,000 has been repaid or refunded. In fairness to America's southern neighbors, or rather, in fairness to their creditors in the United States, it should be stated that repayments or refundings were invariably made with American money.

Of the amount involved, $535,517,900, or 39.23% of the total outstanding, is in complete default; $514,849,800 or 37.72% is in partial default; while $314,646,235 or 23.05% is being serviced in full.

What are the prospects for American investors, institutions and individuals, who have staked well over one and one-third billions in the bonds of their southern neighbors? Will those of the South American debtors who have maintained their service continue to do so, and will those who have been in complete default, because of inability or unwillingness, continue to disregard the rights and privileges of their creditors? To what extent will irregularities and abuses which characterized certain of the South American issues, influence the borrowers in question in their plans regarding possible adjustments of their outstanding engagements? These are questions to which holders of the various South American issues or prospective buyers must find an answer before they decide upon the retention of bonds already held or upon fresh acquisition.

Sawders Photo from Nesmith.

Loading Coffee in Colombia

Conditions in Argentina Improved

At the outset it must be stated that it is erroneous as well as dangerous to generalize about South American loans, and for that matter, any group of loans. There are all types and categories, varying from bonds of investment caliber to those which are highly speculative. In the former group belong the issues of the Argentine Government and those of the City of Buenos Aires, which, while not guaranteed by the federal government enjoy to some extent government protection. For more than a generation the service on these bonds has been met promptly and faithfully. In 1932, Argentina almost succumbed to the epidemic of defaults, but despite economic as well as political difficulties which confronted the nation, she refused to emulate the example set by her neighbors. Meanwhile the situation in the country has improved appreciably. Trade is heavily in favor. Exchange conditions are decidedly better and further gains are confidently expected as a result of the recently created Central Bank. Argentina's attitude towards bondholders has been adequately rewarded. She was recently enabled to effect some important conversion operations which should result in material savings. About a quarter of a billion dollars are still outstanding in the United States. Most of this debt bears interest at the rate of 6% per annum. A conversion into a lower coupon bond appears quite within the realms of probability. The principal impediment to such step is the decidedly unsatisfactory record of most of the country's political subdivisions of provincial issues, outstanding at about 87½ millions; 5½ millions or slightly more than 6% is being serviced in full; while of more than 24 millions of municipal debts, $13,825,000 is receiving interest and sinking funds. If Argentina is anxious to contract new bonds in the American market either for refunding purposes or for revenue-producing projects, an adjustment of the provincial or municipal debt which is either completely or partially in default, appears essential.

Although speculative in character, Brazilian loans especially those outstanding on behalf of the federal government are distinctly promising at prevailing levels. The country's fiscal record is rather unusual. Brazil has never been guilty of complete cessation

of payments. When in difficulties, she pays in new bonds. Since 1898, there have been three so-called funding operations, at intervals of about 17 years. The third took place in 1931. Early last year, an arrangement was submitted by the Brazilian Government which an American group (presumably speaking for bondholders) was ready to accept, although the terms were most inequitable and unfair. How easy it is to make sacrifices for the other party! The 1934 debt adjustment provided for the suspension of sinking fund payments and the reduction in the rate of interest to 35% of the amount stipulated for 1935 and 1936, to 40% for 1937, and to 50% for 1938, when the Government is scheduled to review the situation for the purpose of making a new and presumably a more equitable arrangement. The outlook is encouraging. Brazil, which has heretofore been a one-product country, the welfare of the republic depending almost exclusively on coffee, is gradually becoming one of the leading cotton growing and cotton exporting countries. While U. S. planters are being handsomely rewarded for not growing cotton, Brazil is doing all she can to increase the output of what promises to play an increasingly important role in the country's economy.

Bolivian bonds are selling for hardly more than what one might term souvenir values. The entire debt of nearly 59½ millions is in complete default and threatens to remain in default for some time to come. The pronounced rise in the price of tin, Bolivia's principal standby, has not benefited the nation's creditors who, by a curious coincidence are all Americans. Virtually all the income is being consumed by a most senseless war with Paraguay over the so-called Chaco Boreal, a swampy tract of land said to contain valuable oil fields. Neither Bolivia nor Paraguay desires to cease hostilities, but prefer instead to slaughter each other's sons and ruin themselves for decades. How bankers could permit a country like Bolivia to accumulate a debt of 60 millions—which even in normal times appears far beyond the nation's capacity, is difficult to comprehend. American bondholders are now paying the penalty for the mistakes of those who were charged with the guidance of the financial destinies of the American people.

Ten years ago an American Financial Commission left for Chile. An orgy of borrowing or rather lending followed. Within a short time the dollar debt of the republic trebled. In 1931, Chile's fiscal structure collapsed completely. Nothing has been done on the country's foreign debt since. The other day, or almost exactly ten years after we went to Chile, presumably to convince her of the desirability of borrowing from us to the limit, the Chileans paid us a return visit. They came to tell us that Chile is prepared to settle her dollar debt on a basis which is equivalent to virtual repudiation. The negotiations are likely to be held with the banking houses which are identified with the origination and distribution of Chilean loans, but which do not own any bonds themselves. Once again sacrifices are expected to be made for or on behalf of bondholders. The indifference of the investor is indeed extraordinary and his patience is that of a saint. Although the situation in Chile still leaves a good deal to be desired, the progress registered in the country is sufficiently marked to warrant the assertion that a more favorable proposal than has been submitted is fully warranted.

Anyone familiar with the past fiscal record of Colombia and the attitude which the Republic has adopted toward its foreign creditors in general and American creditors in particular will agree that obligations of our southern neighbor are not entitled to serious consideration by conservative and discriminating investors. From the speculative point of view,

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U. S. Stake in South American Loans

	Federal Government	Provinces	Municipalities	Total
ARGENTINA				
Amount issued	$293,095,000	$102,601,500	$ 27,017,000	$422,713,500
Amount outstanding	249,695,000	87,345,500	24,154,500	361,195,000
Amount receiving full interest	249,695,000	5,500,000	13,825,000	269,020,000
Amount receiving partial interest	....	81,845,500	8,577,500	90,020,000
Amount in complete default	....	....	1,752,000	1,752,000
BOLIVIA				
Amount issued	68,400,000	....	....	68,400,000
Amount outstanding	59,422,000	....	....	59,422,000
Amount in complete default	59,422,000	....	....	59,422,000
BRAZIL				
Amount issued	198,289,735	171,610,000	71,920,000	441,819,735
Amount outstanding	156,462,235	148,368,300	63,031,500	366,862,035
Amount receiving full interest	21,789,735	23,836,500	....	45,626,235
Amount receiving partial interest	134,672,500	122,551,800	63,031,500	320,255,800
Amount in complete default	....	1,980,000	....	1,980,000
CHILE				
Amount issued	264,912,000‡	....	21,200,000	286,112,000*
Amount outstanding	244,160,000‡	....	20,459,500	264,619,500*
Amount in complete default	244,160,000‡	....	20,459,500	264,619,500*

*Amounts are exclusive of $48,500,000 par value of corporate bonds in complete default. ‡Includes bonds of mortgage banks guaranteed by the Government.

	Federal Government	Provinces	Municipalities	Total
COLOMBIA				
Amount issued	76,000,000‡	67,350,000	26,085,000	169,435,000*
Amount outstanding	62,001,000**	59,989,000	22,149,900	144,139,900*
Amount receiving partial interest	51,223,500	....	....	51,223,500
Amount in complete default	10,777,500	59,989,000	22,149,900	92,916,400*

*Amounts are exclusive of $13,653,500 par value of private mortgage bank bonds in complete default. ‡Includes $16,000,000 par value of mortgage bank bonds guaranteed by the Government. **Includes $10,777,500 par value of mortgage bank bonds guaranteed by the Government.

	Federal Government	Provinces	Municipalities	Total
ECUADOR				
Amount issued	14,682,000*	....	....	14,682,000
Amount outstanding	13,122,000*	....	....	13,122,000
Amount in complete default	13,122,000*	....	....	13,122,000

*Includes $10,722,000 of Government guaranteed railroad bonds and $908,000 of guaranteed mortgage bank bonds.

	Federal Government	Provinces	Municipalities	Total
PERU				
Amount issued	90,000,000	1,500,000	3,000,000	94,500,000
Amount outstanding	87,210,000	1,189,000	2,887,000	91,286,000
Amount in complete default	87,210,000	1,189,000	2,887,000	91,286,000
URUGUAY				
Amount issued	56,586,000	....	11,171,000	67,757,000
Amount outstanding	52,947,500	....	10,420,000	63,367,500
Amount receiving partial interest	52,947,500	....	....	52,947,500
Amount in complete default	....	....	10,420,000	10,420,000
TOTAL SOUTH AMERICA				
Amount issued	1,061,964,735	343,061,500	160,393,000	1,565,419,235
Amount outstanding	925,019,735	296,891,800	143,102,400	1,365,013,935
Amount receiving full interest	271,484,735	29,336,500	13,825,000	314,646,235
do., in per cent of total	29.34	9.88	9.67	23.05
Amount receiving partial interest	238,843,500	204,397,300	71,609,000	514,849,800
do., in per cent of total	25.82	68.82	50.08	37.72
Amount in complete default	414,691,500	63,158,000	57,668,400	535,517,900
do., in per cent of total	44.84	31.30	40.25	39.23

The Magazine of Wall

THE MAGAZINE OF WALL STREET'S Bond Appraisals of active and important bonds is presented in two parts. The sections alternate with appropriate alterations and additions, so that holders and prospective buyers of bonds may be constantly informed as to the effect of developments in the largest number of issues.

Naturally, it is understood that all the issues mentioned do not constitute recommendations, although the relative merit of each is clearly indicated either by the tabular matter or by the comment. For those who desire to employ their funds in fixed income-bearing securities we have "double starred" the issues which appear to us most desirable, safety of principal being the predominant consideration, while a single star designates those which, while somewhat lower in quality, nevertheless provide an attractive income, or offer possibilities of price enhancement.

Inquiries concerning bonds should be directed to our Personal Service Department.

Railroads

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1933	Fixed Charges times earned† 1934E	Price Call‡	Price Recent	Yield to Maturity	COMMENT
Chesapeake & Ohio Ry.								
★★1st Cons. 5s, 5.1.39	245	30	3.7	3.8	N C	112	2.0	Of the highest grade.
Gen. 4½s, 1992	245	49	3.7	3.8	N C	119	3.7	Tho junior to issue above and prior liens thereto, is still strong.
Ref. & Imp. "B" 4½s, 1995	245	60	3.7	3.8	110*	109	4.1	Junior to two issues above.
Hocking Valley 1st Cons. 4½s, 1999	245	16	3.7	3.8	N C	117	3.8	Assumed by C. & O. High grade.
Chicago Union Station Co.								
1st "A" 4½s, 1963	67	60	....	....	105	108	4.1	Guarantors include strong roads. Mortgage position also good. High grade.
Guaranteed 5s, 1944	67	7	....	....	105*	108	3.9	Not mortgage secured, but guaranteed similarly to issue above.
Kansas City Southern Ry.								
★1st 3s, 1950	65	30	.6	.6	N C	73	5.7	Sound bond.
Ref. & Imp. 5s, 1950	65	21	.6	.6	105	58	10.6	Junior to issue above.
Texarkana & F. S. 1st 5½s, 1950	65	10	1.0	....	107½	90	6.5	Fair grade.
Norfolk & Western Ry.								
★★1st Cons. 4s, 1996	91	41	6.4	6.4	N C	112	3.5	An investment of the highest grade.
Div. 1st & Gen. 4s, 1944	91	35	6.4	6.4	105	108	3.0	Junior to issue above, but still high grade.
Pocahontas Coal & Coke P. M. 1st 4s, 1941	..	11	....	....	105	107	2.9	High grade.
Sorthern Pacific Ry.								
★★Prior Lien & Land Grant 4s, 1997	310	106	1.0	1.0	N C	105	3.8	High grade.
Gen. Lien 3s, 2047	310	54	1.0	1.0	N C	75	4.0	Junior to issue above.
Ref. & Imp. "B" 6s, 2047	310	145	1.0	1.0	110 '36*	94	6.4	Junior to two issues above.
Southern Pacific Co.								
San Francisco Terminal 1st 4s, 1950	832	31	.9	1.0A	105	104	3.7	Well secured, better grade issue.
Oregon Lines 1st "A" 4½s, 1977	832	61	.9	1.0A	105*	77	6.0	Reasonably strong.
Central Pacific Coll. 4s, 1949	832	37	.9	1.0A	100	66	8.1	Medium grade
Deb. 4½s, 1969	832	145	.9	1.0A	105*	61	7.8	Being unsecured by mortgage are only fairly strong.
Central Pacific Ry.								
1st Ref. 4s, 1949	..	99	.2	....	N C	99	4.1	Better grade issue.
Through Short Line 1st 4s, 1954	..	10	.2	....	107½	...	...	Also better grade.
European Loan 4s, 1946	..	13	.2	....	100	...	...	Entitled to a fair rating.
Guaranteed 5s, 1960	..	40	.2	....	105*	75	7.2	A fair caliber bond.
San Antonio & Aransas Pass. 1st 4s, 1943	..	20	....	....	N C	80	7.3	Reasonably strong.
Southern Pacific R. R. 1st Ref. 4s, 1955	..	146	....	....	105	93	4.5	Good grade issue.
Union Pacific R. R.								
★★1st R. R. & L. G. 4s, 1947	348	100	2.5	2.4	N C	111	2.9	An investment of the highest grade.
1st Lien & Ref. 4s, 2008	348	86	2.5	2.4	107½	106	3.7	Junior to issue above, but still strong.
40-yr. 4½s, 1967	348	27	2.5	2.4	102½*	105	4.2	Unsecured by mortgage, but both are good quality investments.
40-yr. 4s, 1968	348	20	2.5	2.4	100	102	3.9	
Oregon Short Line 1st 5s, 1946	..	29	....	....	N C	118	3.1	Of the highest grade.
Oregon-Washington R. R. & Navigation 1st & Ref. 4s, 1961	95	72	.1	....	105	103	3.8	U. P. guarantees.
Oregon R. R. & Navig. Cons. 4s, '46	95	23	.1	....	N C	109	3.1	Prior in lien to issue above.

Public Utilities

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	1933	1934E	Call‡	Recent	Yield to Maturity	COMMENT
Am. Gas & Electric Deb. 5s, 2028	194	50	1.7	1.7A	106*	97	5.2	Among the best of holding company issues.
American Water Works & Electric Co., Inc.								
Conv. Coll. Tr. 5s, 1944	185	15	1.2	1.2	102*	89	6.6	Security pledged is valuable. Present conversion rate $20 a share.
Deb. "A" 6s, 1975	185	11	1.2	1.2	110*	72	8.4	A medium grade holding.
Monongahela West Penn. Pub. Ser. 1st Lien & Ref. "B" 5½s, 1953	24	14	1.6	....	105*	93	6.1	Medium grade.
Potomac Edison 1st "E" 5s, 1956	17	17	2.0	1.7	105*	104	4.7	Good grade bond.
West Penn Power 1st "G" 5s, 1956	50	50	3.4	3.5	105*	110	4.3	High grade.

Street's Bond Appraisals

Public Utilities (*Continued*)

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1933	Fixed Charges times earned† 1934E	Price Call‡	Price Recent	Yield to Maturity	COMMENT
Appalachian Electric Power Co.								
1st & Ref. 5s, 1956	84	63	1.8	....	104½*	105	4.6	Of good caliber.
Appalachian Power 1st 5s, 1941	84	10	1.8	....	105	107	3.8	Prior in lien to issue above. High grade.
Buffalo General Electric Co.								
1st Ref. 5s, 4.1.39	40	7	2.1	2.3	105	...	...	Of the highest grade.
Gen. & Ref. "B" 4½s, 1981	40	30	2.1	2.3	107½*	110	4.0	Junior to issue above, but still high grade.
Cons. Gas. El. Lt. & Pwr. of Baltimore								
1st Ref. 4s, 1981	67	58	2.9	3.0A	105*	110	3.6	Company's credit standing is very high.
Safe Harbor Water Pr. 1st 4½s, 1979	21	21	....	....	105*	108	4.1	Cons. Gas guarantees. Strong bond.
Consumers Power Co.*								
1st & Ref. 5s, 1.1.36	92	22	2.5	2.5A	105	103	2.0	Of the highest grade.
1st & Unif. 4½s, 1958	92	67	2.5	2.5A	105*	109	3.9	Junior to issue above, but still high grade.
Koppers Gas & Coke Deb. 5½s, 1950	51	38	1.9	....	103½	105	5.0	Good bond.
Milwaukee Gas Light 1st 4½s, 1967	13	13	2.6	2.3	107½*	108	4.1	A better grade investment.
Nevada-Cal. El. 1st Tr. 5s, 1956	31	28	1.2	1.2	102½*	75	7.3	Represents large proportion of total debt.
**New England Tel. & Tel. 1st "B" 4½s, '61	88	75	2.3	2.5A	100 '53	118	3.2	High grade investment issue.
North Amer. Lt. & Pr. Deb. "A" 5½s, '56	193	18	def	def	102½*	50	11.0§	None too strong holding co. obligation.
Public Service Corp. of N. J.								
*Perpetual 6% Certificates	203	19	3.0	....	N C	121	5.0	Secured by pledge stock of subsidiaries. Sound holding.
Public Service Electric & Gas Co. 1st & Ref. 4½s, 1967	114	91	3.7	....	104½*	108	4.1	High grade.
**United Electric Co. of N. J. 1st 4s, '49	114	18	3.7	....	N C	111	3.0	Senior to issue above. Of the highest grade.
Hudson County Gas 1st 5s, 1949	..	11	....	....	N C	117	3.5	Very strong bond.
South Jersey G., El. & Trac. 1st 5s, '53	..	13	....	....	N C	...	...	Better grade.
Southern California Edison								
Gen. 5s, 11.1.39	138	13	2.5	2.4A	105	108	3.2	Entitled to the highest rating.
Ref. 5s, 1951	138	120	2.5	2.4A	105*	106	4.5	Junior to issue above.

Industrials

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	1933	1934E	Call‡	Recent	Yield to Maturity	COMMENT
Chile Copper Deb. 5s, 1947	31	31	.9	....	101*	84	7.0	In itself, bond is a good one, but general copper situation none too favorable.
Crucible Steel Deb. 5s, 1940	13	10	.5	....	101½*	100	5.0	Outlook improved. Now reasonably good bond.
Liggett & Myers Tobacco Co.								
Deb. 7s, 1944	28	13	11.1	15.6A	N C	133	2.9	Industrial obligation of the highest grade.
Deb. 5s, 1951	28	15	11.1	15.6A	N C	119	3.4	Junior to issue above, but still high grade.
Swift & Co.								
1st 5s, 1944	46	21	5.4b	....	102½	103	...	bYear to 10.31.34. Proposing to retire both issues by a new first mortgage at 3¾%.
Notes 5s, 1940	46	25	5.4b	....	102*	103	...	
United States Steel Corp.								
Illinois Steel Deb. 4½s, 1940	93	19	def a	def aA	105	108	2.8	aU. S. Steel's earnings, guarantor. Both are high grade bonds.
C. L. S. & East. 1st 4½s, 1969	93	9	def a	def aA	110	...	...	
Not Guaranteed								
Elgin, Joliet & East. Ry. 1st 5s, 1941	..	10	....	....	N C	106	3.9	Entitled to a good rating.
Tenn. C. & I. R. R. Gen. 5s, 1951	..	11	....	....	N C	116	3.6	Strong, well-secured bond.
Wheeling Steel 1st & Ref. (now 1st) "B" 4½s, 1953	26	26	.4	1.0	102*	94	5.0	Position improved. Medium grade.
Youngstown Sheet & Tube 1st "A" 5s, 1978	89	89	def	def	105*	94	5.4	Medium grade.

Short-Term Issues

Company	Due date							
Armour & Co. (Ill.) R. E. 1st 4½s	6.1.39	38	1.8n	....	102½	103	3.7	n Years to 10.31.34. Good bond.
Cumberland Tel. & Tel. Gen. 5s	1.1.37	15	2.9m	....	N C	106	2.0	m Earnings Sou. Bell Tel. assuming co. Highest grade.
Edison Electric Ill. (Bos.) Notes 3s	11.2.37	71	2.3	....	100½*	...	...	High grade.
Phillips Petroleum Deb. 5¼s	6.1.39	27	1.7	....	101*	102	4.7	Position much improved.
Texas Power & Light 1st 5s	6.1.37	25	1.8	....	105	105	2.5	Of good investment caliber.
*Third Avenue R. R. 1st 5s	7.1.37	5	....	....	N C	102	4.2	Among the stronger traction issues.

† Fixed charges times earned is computed on an "over all" basis. In the case of a railroad, the item includes interest on funded and other debt, rent for leased roads, miscellaneous rents, etc.; in the case of a public utility it includes interest on funded and unfunded debt, subsidiary preferred dividends, minority interest, etc. ‡ An entry such as 105 '36 means the bond is not callable until 1936 at the price named. *Indicates that the issue is callable as a whole or in part at gradually decreasing prices. ** Our preferences where safety of principal is predominant consideration. * Our preferences where some slight risk may be taken in order to obtain a higher return. § Current Yield. E—Estimated. A—Actual Earnings.

The Trend of Commodities

Foreign Production Menaces Our Cotton Markets

By C. S. Burton

THE situation in cotton shows a strain becoming more and more intense day by day. The delicate machinery of the cotton trade is thrown badly out of gear by the 12-cent Government loan estimated to cover 4,000,000 bales. Our present policy is depriving us of a foreign market which year in and year out has taken half of all we produced.

Probably few people outside the cotton trade took notice of a very recent action of the Liverpool Cotton Association, when 85% of its membership endorsed the idea of a new contract under which what we have been pleased to call foreign cottons or exotic growths are to be tenderable. Thus the work of years spent in building up and maintaining the supremacy of American cotton in the world market is undone.

For nearly a hundred years, whether the market was made in Lancashire, or later as the New York market occasionally set the world price, it was always American cotton tenderable against all futures contracts.

To consider the encouragement given to foreign growths by this recognition on the Royal Exchange of Manchester is to marvel at any possible attempted justification of our national policy of crop control or restriction and price maintenance through our system of government loans. As Al Smith says: "Let us look at the record."

A A A Policy

In April of last year one of the spokesmen for the A A A attempted to decry the possibilities of foreign competition by cotton producers, taking the ground that while there might be some expansion of production in India, Egypt, Russia and South America, yet:

"An increase of 60% or 70% in foreign cotton production would be necessary to constitute a destructive threat to our cotton-export trade. Such an increase could not come without warning. The slack this country takes up it can easily let out again. (A presumption which the history of lost markets does not justify.)

"This does not mean that the foreign situation should be brushed aside as negligible. On the contrary, both A A A economists and those in the old Department of Agriculture watch it closely. As to the justification for acreage reduction in the United States now, there is unanimity. As to how far it should go there is not. (Presumably the writer was referring to that lack of complete accord which has been one of the outstanding characteristics of the New Deal). Officially the policy is one of flexibility, based on full recognition of the fact that the reaction of cotton growers in foreign countries to the American program is important. Recently, the department sent a specialist, P. K. Norris, to study the cotton situation in South America. It has experts investigating the situation in many other countries. While the A A A policy is definitely fixed with respect to cotton for 1934, future plans will be shaped in the light of developments at home and abroad." (Arthur P. Chew in Barron's Financial Weekly of April 16, 1934. Mr. Chew is one of the economists on the A A A staff.) It is to be remarked at this point any protests from the South have been overruled; it has been stated and reiterated that there is to be no change in the policy of the A A A as to cotton for the 1934-1935 crop year.

It is not to be supposed that at the date mentioned it could have been foreseen that the 1933-34 cotton crop was in very large part to be taken over under a Government loan and the way left clear for foreign production to go as far and as fast as possible. Our practical surrender of market leadership is told in the figures covering the crop half year—August, 1934-January, 1935—when we exported 2,865,000 bales of cotton against 4,919,000 bales for the same period last year. More than two million bales of cotton withheld from export, while spinners bought foreign cotton in increasing volume. During the calendar year 1934 American imports into the Manchester district declined 524,000 bales as compared with the calendar year 1933. This decrease in the use of our cotton was offset by an increase of 349,000 bales of Brazilian cotton, 105,000 of East Indian cotton, 41,000 bales from the Argentine, 18,000 bales from Peru, 24,000 bales from the Sudan. It may be noted that, although the cotton trade of the Lancashire mills suffers from more than one ailment, they nevertheless used more than enough cotton to have allowed our exporters to have retained their usual leadership in that market had it not been for our maintenance of an artificial price above the world market for our cotton.

Restricted Acreage Forces Price Protection

It is not open to argument that if we persist in plans restricting the acreage which may be devoted to cotton, we have no choice but to protect the price for the planter.

It does not especially matter, at least so far as the planter is concerned, in what way the funds are provided, out of which his benefit payments and his crop loans are financed. As a matter of fact, the processing tax upon cotton is merely a sales tax which is presumably passed on to the consumer. Certainly, the cotton trade from bale breaker to the retailer has never regarded it as anything else. Whether they have been able to pass all of such added burden on to the consumer is a

matter for discussion. Not a few mill men claim that where they have passed the processing tax of 4.2 cents per pound of raw cotton along on every line of production, their volume of output has been cut down in almost direct proportion so that in the final analysis the mill men have been and are the sufferers.

It is undoubtedly true that great numbers of planters have looked upon the benefit payments as coming from some inexhaustible store, but the fact remains that to provide the wherewithal to make such benefit payments we have raised the price of the raw material of the spinner by something like 33 1/3% and by our loan policy have created an unnaturally tight spot position, while leaving the world market wide open for new production from other lands.

The present situation might possibly be corrected and our commanding position in the market restored if we could bring ourselves to face the facts. As matters now stand, the phase which we must study is, what share of the market is to be left to us or what share of the market may our foreign competitors capture and retain? As a further consequence, what is to be done with cotton which has been accumulated in so identically the same manner as the Federal Farm Board accumulated wheat and incidentally lost for us our place in the world wheat market, saying nothing about the millions of dollars that were also lost.

Mr. Norris, referred to above, made a recent report on cotton production in Egypt in which there is much detail as to the tillage of the Nile Valley. By way of summary, Mr. Norris writes:

"During the last five years the annual acreage has fluctuated between 2,162,000 acres and 1,135,000 acres, or by more than 1,000,000 acres. In 1932 the acreage was 1,135,000 and the 1933 acreage of 1,873,000 represented a 65% increase above the 1932 area. These fluctuations indicate that the Egyptian farmer can and will shift his cotton acreage when conditions justify. With the present system of rotation and the most favorable conditions, the past cotton acreage has exceeded 2,000,000 acres but once."

A little further on Mr. Norris continues:

"A change in cotton production has been taking place in Egypt that is probably of far more importance to American cotton growers than is expansion in acreage. This is the shift to the higher yielding but shorter staple varieties of cotton. . . . It is possible that in the future as much as 80% of the Egyptian crop will range between 1 1/16 and 1 3/16-inch staple. With an average crop this would mean from 1,000,000 to 1,500,000 bales of a staple length comparable with the best American staples."

We must realize that in studying these figures—acreage and production possibilities—we are studying factors that are vital, in the fullest sense of the word, to the people of our cotton growing states.

The other day a vessel brought to one of the Puget Sound ports a record cargo of silk from Japan. Now, without regard to however complicated the transactions involved may be, in the end we paid for it with our cotton. We may feel intensely self sufficient, but we are going to continue to use a lot of things we do not and cannot produce. Every one of the 25 million cars that roll over our highways carries some tin, not just the old "tin Lizzies," but the aristocrats. We want cars, *ergo* we must have tin, and we must sell abroad cotton or lard or wheat to pay our bills abroad. We will watch Egypt's, India's, Brazil's and everybody else's cotton patch with a wary eye if we are wise. In 1933, the last year for which such figures are available, we sold to Japan 1,814,000 bales of cotton of a value of $86,699,000; we bought 60,213,000 pounds of raw silk, for which we paid $91,659,000. Cheap cotton, cheap silk.

In 1929 we were more extravagant users of silk. Our bill that year was $356,122,000 and our credit against this expenditure by way of cotton shipped to Japan was 1,101,000 bales of a value of $109,399,000.

We are the world's greatest consumers of silk, as Japan has become its leading producer. If we are to continue to use silk as we so evidently enjoy doing, we will be obliged to hold our cotton market in Nippon against other cottons. Bales may be piled mountain high, held under loans, made at any figure per pound by government agencies, but such price maintenance will not bring in silk from Japan or tea from the Orient or tin from the Straits, or cocoa, or coffee or sugar or quinine.

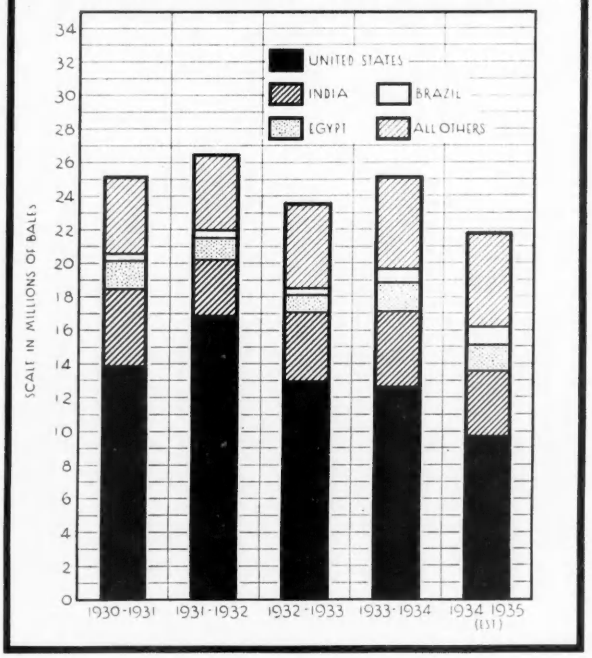
The first forecast of Indian cotton production for the crop year 1934-35 was 2,812,000 bales, the final estimate for the crop year 1933-34 was 4,159,000 bales. Indian cotton grades just about as far below American cotton as Egyption grades above our fiber.

However, both of these competitors are fairly well known as to possibilities. It is in our own hemisphere that we may perhaps find greater dangers to our hegemony in the cotton world. Since Brazil set the pattern for restrictive measures in output she has burned up enough coffee to have supplied the entire world for a solid year. That way lies madness, yet the world has inexplicably seemed bent on following her example.

To turn a coffee plantation into a cotton field or to bring new acres into cotton production appears to Brazil as a happy escape from the problem which coffee has presented. Under this inspiration Brazil's cotton doubled for the crop year 1933-34, up from 448,000 bales in 1932-33 to 969,000 bales in 1933-34. Brazil has every latitude both North and South of the equator, and all outdoors, so to speak, in which to expand. In the South, in Sao Paulo and Santa Catharina there are better tillers of the soil than in the North in-

(*Please turn to page* 649)

WORLD COTTON PRODUCTION

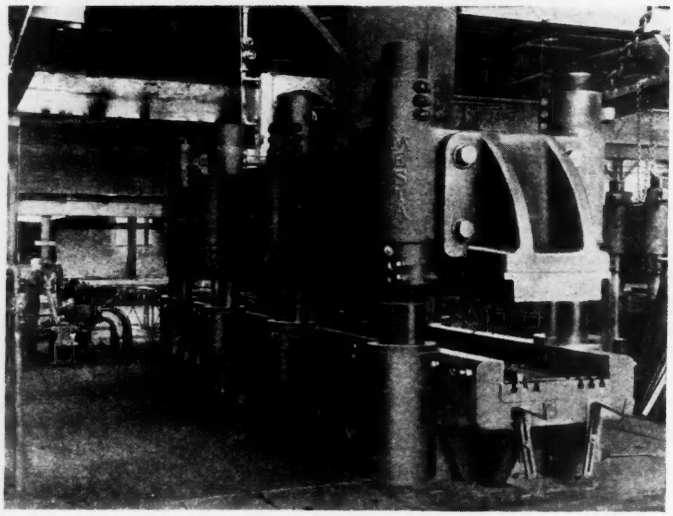


Outlook Brightens for Machine and Tool Makers

Increasing Demand Suggests Larger Profits

By H. F. Travis

THE machinery world aptly illustrates the principle of the cycle of life in which there is birth, decay, expiration and then a newer birth. Deterioration, obsolescence or complete cessation of usefulness, requires that there shall be replacements or entirely new equipment from time to time. The installation of machinery, new and efficient, inevitably must be followed in the natural course of events by the wearing out process. Under ordinary conditions replacements or repairs are made as occasion requires, so that at no time is there any noticeable change in the functioning of the machinery.



Courtesy, Mesta Machine Co.

A 4,000-ton Hydraulic Truck Frame Press

During the depression the machinery and machine tool business suffered severely from dislocation of demand. Manufacturers allowed their machine equipment to deteriorate far more than they would have done under ordinary conditions in business. Now that there is an upswing in industry the demand for new machinery or for replacement parts is beginning to pick up and there is evidence that the machine tool trade is moving into a more favored position from a profit-making standpoint. Companies in this field felt the stimulus in 1934, and are anticipating further gains during the current year.

When the capital industries are active, the business of selling machinery and machine tools is active, and the reason is so obvious that it requires no detailed explanation. In the past few years activity in big industry has not been in evidence, and gradually the machinery business fell off until at times it appeared to be in a state of complete prostration. Many of the agencies representing this business were unable to maintain themselves and passed out. Others continued, but with a skeleton crew that was only a shadowy reminder of the prosperity of other days.

Now it appears that the cobwebs of disuse or obsolescence are being brushed aside. Big users of machinery who were impelled to get along with what they had, without buying new equipment, naturally are finding that much of their machinery needs replacement. Rust and decay and use of weakened parts have been the factors of deterioration that have made for a newer demand.

Increase in demand for machinery and equipment has not sprung up suddenly, overnight as it were, for there was a material improvement in the business in 1934, and 1935 was ushered in with promising indications of a continuance of the better trend.

Reports of 33 machinery concerns for the full year of 1934, indicated a net income of a little more than $5,000,000, which compared with a deficit of over $9,000,000 in the previous year. While the gain in actual figures may not be great, the significance of the reversal is in the fact that it has been an improvement — not a recession.

January's domestic orders for machine tools were reported to be the best of the recovery period, and there was a continued demand in February. The largest share of the credit for this improvement goes to the automobile industry and this influence promises to continue at least during the first quarter of the year. Automobile manufacturers have indicated an intention of advancing the date of announcing new models, and if this is done it is not illogical to assume that whereas, in other years, the machinery equipment business usually fell away in the spring and summer, it will be well maintained in these periods in the current year.

It now appears that some of the makers of automobiles will introduce their 1936 models as early as September, and should this happen, advance equipment orders would be made sooner than usual, thus taking up much of the summer seasonal slack among the machine tool manufacturers.

It is proverbial that during times of business stress the need for economies requires that the users of machinery utilize current equipment as long as possible. Thus, during the past several years the tendency has been to get along with second-hand or rebuilt,

equipment, making only such replacements as were absolutely necessary. With a wider outlet for their products looming, these users have been placing new orders for machines, or no doubt have in contemplation the placing of such orders. Thus obsolescence makes for new business when the tide of general activity is rising.

In the early part of 1934 and up to the latter months of that year the machine tool trade showed its ability to hold recovery gains better than did general industry, with domestic orders exceeding those of the best period of the preceding year. What moderate recession occurred during the last two months of 1934 seems to have been overcome in the first two months of 1935.

Steel Industry Demand

While not peculiar to the machine tool trade, inflation may play its part in assisting the industry to a higher level of production. Hedging against inflation is not unfamiliar to business under the New Deal. If the buying power of the dollar is to be lessened by increasing prices; placing orders before increases become extreme may serve to stimulate activity to a greater degree in machinery circles, since it is essential that old or obsolete equipment be replaced in any event.

The steel industry is likely to make a larger demand for machinery. Millions of dollars are to be expended by the steel companies in both construction and equipment. Already the Mesta Machine Co. has received an order for the equipping of a new strip mill at the Lackawanna plant of the Bethlehem Steel Corp. at Buffalo. This company, which specializes in the manufacture of heavy steel-making machinery is particularly well situated to receive the benefits of the disposition of industry to increase its machine equipment at this time. It went ahead last year so well that its directors were impelled to declare a stock dividend of 66 2/3% last October, and followed this in November by a declaration of a quarterly cash dividend on the common stock of 37½ cents, thus placing this stock on a $1.50 annual dividend basis. against $1 previously paid. This provides a yield of about 5% on the price of the stock on the New York Stock Exchange, at this writing.

Plans of the United States Steel Corp , which call for additions to, and improvements in, the plants of its subsidiaries, costing many millions of dollars, are factors which are being considered in connection with the possible future business of Mesta. And in the course of distribution of contracts under this plan, this should not be the only machinery company to share in the new business.

Headway gained on the advancing side in 1934, in the sale of construction, tunnelling and mining machinery and portable equipment, largely for drilling purposes, should receive additional momentum this year. Disappointing as has been the recent record of construction work, the carrying out of the Government's program should not be long delayed. Mining, especially in the gold field, was at its height last year, and this served in no small measure to aid companies like Ingersoll-Rand and Chicago Pneumatic Tool. Throughout the entire world, where there was a possibility of gold being found in commercially paying quantities, the sound of the drill was to be heard. Both in the United States and Canada the influence of the $35-an-ounce price for gold was felt in such a degree that old, abandoned mines were reopened and new mines were placed in operation by the hundreds. Only a small proportion of the latter, alas, may justify the hopes of their sponsors, but these very hopes have tended to add to the revenue of the equipment companies. And the process of seeking for gold in the earth, accessible only through excavating and drilling, should go on with equal, if not greater, activity this year. In this respect the decision of the United States Supreme Court in the gold clause cases must have a favorable effect.

The large use of machinery in big factories requires the use of other machinery to keep the former in proper condition. Supplying this demand is really one of the functions of the manufacturers of machine tools. Machines to make machines properly describes this product. And as the use of heavy machinery increases so does the demand for small tools, taps, dies, reamers, lathes, drills, etc.

In this particular line of activity, Niles-Bement-Pond Co., the L. S. Starrett Co., and Ex-Cell-O Aircraft & Tool Corp. are prominent and are favorably placed to improve their earnings position by reason of the better demand.

Machine Tools

Niles-Bement-Pond bettered its income in 1933, when compared with the previous year, though it still operated at a loss. While final figures for 1934 are awaited, it is believed that there was a slight profit in the latter year, which would mark the first profit-making period since 1930. The upward movement has been continued into 1935. It was announced in January that the company had received orders for several hundred thousand dollars' worth of glass-making machinery from a Japanese concern. Earlier it had been reported that the ordnance department of the U. S. Army had placed orders with the company. Currently the company is operating more actively than it did last year, and on a basis which, if maintained throughout the year, will carry it well into black figures — a welcome change from the results of the three previous years.

Operations of the Ex-Cell-O Aircraft & Tool Corp., picked up considerably in 1934, when the company was able to show a net profit of $140,000 compared with a deficit of $63,000 the previous year. The 1934 results were

(Please turn to page 647)

What the Machine Tool Companies Are Doing

The following table shows the latest earnings, net per share on the common stock, dividend rate and the latest approximate price of the common shares of the various machine tool companies:

Company	Earnings	Rate per Share Common Stock	Dividend	Approximate Current Price Common Stock
Mesta Machine Co	(a)$463,000	$ .71	$1.50	30
Chicago Pneumatic Tool Co.	350,000 Est.	....	....	5
Ingersoll-Rand Co	(1)164,000	.01	(b)2.00	65
Niles-Bement-Pond Co	(1)276,000 def	1.56 def	....	11
L. S. Starrett Co	(c)146,000	.79	(d).50	13
Ex-Cell-O Aircraft & Tool Corp	140,000	.37	....	7
Bullard Co	111,000	.40	....	10
Blaw-Knox Co	35,000	.03	....	11
National Acme Co	140,329	.28	....	6
Bridgeport Machine Co	222,000	1.25	....	6

(a)—6 mos. ended June 30, 1934. (b)—Extra of $2 paid Dec. 28, 1934. (c)—Year ended June 30, 1934. (d)—Irregular. (1)—Year ended Dec. 31, 1933.

From the Pinnacle to the Depths

Is It on the Way Back?

By George W. Mathis

Course of Radio Corporation's Earnings.

The course of earnings of Radio Corp. of America from the stock boom days, down to the present time, as will be seen in the table below, was interruptedly downward from 1928—its record year—until 1933, when the descent was checked, following which there was a sharp rise in 1934. It will be noted that in only four of the eight years has the corporation earned anything on its common stock. Even the marked upturn in 1934 did not place the junior issue in that favored class.

Years	Total Income	Net Income	Earned Per Share Preferred "A"	Preferred "B"	Common
1934.....	$9,490,455	$4,249,263	$8.57	$3.28	d$.10
1933.....	260,352	d582,093	d1.17	d3.02	d.47
1932.....	673,078	d1,133,586	d2.29	d3.36	d.49
1931.....	3,703,290	768,903	1.94	d.79	d.34
1930.....	8,289,809	5,526,293	13.97	5.17	.02
1929.....	20,254,279	15,892,562	40.17	18.06	b1.59
1928.....	23,661,990	19,834,799	50.14	(a)	15.98
1927.....	11,799,650	8,478,320	21.43	(a)	6.15

d—Deficit. (a) None outstanding. (b) After allowance for full yearly dividend requirements on preferred "A".

WHEN the market price of the junior issue of Radio Corp. of America dropped from a high of $549 a share in 1929, to a low of $2.50 in 1932, on the New York Stock Exchange, it represented the extremes of speculative sentiment — for both prices were based, not on the actual performance of the corporation, but on the perplexed judgment of the crowd — an example of mass psychology run wild.

Neither price was representative. The excessively high figure of 1929 was the combined result of mob speculation in securities of all sorts that had distorted prices until they no longer bore any relation to the earnings position of the companies whose stocks were being traded in, and to the vividness of the imagination of a public inflamed with the vast possibilities of a comparatively new and somewhat mysterious industry—an industry which had back of it some of the suggestions of the esoteric, something inexplicable, something that was hardly humanly conceivable, and yet which actually was being demonstrated.

The low mark was the reaction—when the undeceived, finding that their speculative idol had not stood a test which no company could be expected to stand, was revealed as just another organization, whose stocks would have to be valued in the final analsyis, from cold-blooded figures representing profits or losses.

Turn from Red to Black

Radio Corp.'s earnings decreased rapidly from its 1928 peak, until black figures gave way to red, and the vagaries of the human mind were illustrated in many predictions that the company was moribund and could be revivified only through drastic reorganization—which contrasted so sharply with former forecasts of an uninterrupted flight to the rarefied region of prosperity.

Radio was indeed a sick patient. Only the faith in the future of the industry itself, and the company's dominance in that field lent hope to the watchers at the bedside. But a turn for the better has come, and the patient seems to be entering the stage of convalescence. To speak in financial terms, the company is again earning money, has begun the payment of dividends on its senior preferred stock, and the look ahead to possible disbursements on the "B" preferred and the common stocks is less of the interminable vista that it once was.

The corporation turned the corner in 1934 by showing a net income of $4,249,263, the first time the figures have been written in black since 1931. In the previous year there had been a deficit of $582,000, which was in itself an improvement over the results in 1932, when there was a loss of $1,806,000. Thus Radio's performance has been one of increasing betterment for the past two years. It still has considerable distance to travel to equal the return of $19,834,000, its record income, in 1928, but the trend is now in the right direction.

Broadcasting Helps Profits

Though Radio's pamphlet report for the year 1934 does not make a separate showing of the results in dollars achieved by each subsidiary, it is known that broadcasting has had much to do with the company's improved income situation. The National Broadcasting Co. naturally is high in the esteem of officials of Radio and it is evident greater results than those yet recorded are expected from this branch of the business. However, in 1934 the betterment, while extremely marked in broadcasting, was noticeable in every other division, and while emphasis may be laid on broadcasting as a source of increasing revenue in the future it is, after all, just one section of activity of an organization that has sought diversification in order that it may not be too dependent on any particular division.

Responsive to the recovery in earning power the comany, on February 19, of this year, paid up all the dividend accumulations on its preferred "A" stock, amounting to $4,519,000, requiring a slight dip into surplus for this

accomplishment. The payment of all arrearage on the dividends on this stock came as a somewhat pleasing surprise to the holders of the stock, as the general anticipation had been that only a part payment would be made. The disbursement would seem to reflect the confidence of the board of directors in the company's future—a thing which serves also to extend confidence to the stockholders.

There still remains the problem of clearing up the back dividends on the preferred "B" stock, and this, naturally, will have to await future earnings developments.

In its annual report for 1934, commenting on this phase, the company said:

"It will be recalled that, due to decreased earnings and business uncertainty, the corporation in December, 1931, passed the dividend on the 'B' preferred stock. Similar action followed on the 'A' preferred stock in June, 1932. Although the 'A' preferred dividend arrears have been paid, the 'B' preferred dividend arrears, accumulated to December 31, 1934, were $16.25 per share, on 767,275 shares outstanding, or a total of $12,468,220. While the cash resources of the corporation are sufficient for its capital requirements and the necessary development of its business, it is evident that these accumulated and accumulating dividends on 'B' preferred stock cannot be paid at present without serious impairment of the corporation's working capital.

"The cumulative dividend requirements on classes 'A' and 'B' preferred stock amount to $5,571,000 per year. The 1934 earnings of the corporation, while substantially improved over 1933, are still short by approximately $1,322,000 of meeting these dividends. In addition to these requirements, the arrears on the 'B' preferred must be met before dividends can be paid on the common stock."

It is therefore apparent that receipt by the common stockholders of any dividends remains still, as it always has heretofore, a matter of distant hope, rather than of near-by realization.

Photos from N. B. C.

Broadcasting from a Studio in Radio City

Fortunately, however, the millstone of fixed obligations hangs with no undue weight around the neck of Radio Corp. Its entire funded debt, including mortgages and long term notes, is only $9,974,800. This is in marked contrast with the heavy debt of many another corporation, which has served to drag it down and to present an almost insuperable barrier to the payment of dividends to stockholders.

With the signing of the consent degree, in the Federal Government's suit under the anti-trust laws, on November 21, 1932, which divorced the corporation from control of the General Electric Co. and the Westinghouse Electric & Manufacturing Co., Radio Corp. became a fully self-contained unit, operating, largely through its subsidiaries, in all branches of radio activity, including communication, manufacturing, broadcasting and entertainment. Though a supposedly ill wind at the time that it was inaugurated, this suit by the government may prove to have been a measure of benefit to the corporation. For one thing it has enabled the corporation better to establish its property rights in patents owned.

Within its own field Radio has widely diversified activities. It is now primarily a holding company, co-ordinating its many interests in radio development, and exercising general supervision over finances and research and commercial, patent and other activities of its several subsidiaries.

At the close of 1934 wholly owned subsidiaries consisted of RCA Victor Co. and RCA Radiotron Co., in manufacturing and sales; RCA Communications, Inc. and Radiomarine Corp. of America, in radiotelegraph communication; National Broadcasting Co., Inc., in broadcasting; RCA Institutes, Inc., in radio work training, and the Radio Real Estate Corp., to care for the real estate holdings of Radio Corp. In each of these divisions, except those designed merely to facilitate the progress of the corporation itself, such as the real estate department, the operating company is chief in its particular work.

In addition to this, the corporation grants licenses, under its patents, to independent and competitive organizations, thus providing an income, through royalties.

On January 1, 1925, the corporation consolidated into a single unit its two manufacturing companies, RCA Victor Co., Inc. and RCA Radiotron Co., Inc., forming a new company, the RCA Manufacturing Co. This consolidation, it is stated by the corporation, was primarily for the convenience of operation. The two consolidated companies will be operated as divisions of the RCA Manufacturing Co., Inc.

Besides its wholly owned subsidiaries, Radio Corp. owned, as of December 31, 1934, holdings in Radio - Keith - Orpheum Corp., carried on its balance sheet at $14,644,614, represented by 1,259,463½ shares of common stock, or 48.96%, and $9,786,665 of ten-year debentures or 84%, carried at cost.

Radio-Keith-Orpheum and its subsidiaries had not completed its audit for 1934, when the Radio Corp.'s report was ready, but the officers of R-K-O are quoted as saying that operations would show a loss for 1934 of about $875,000, compared with a loss of $4,384,000 for 1933.

It must be admitted that Radio-Keith-Orpheum, which is now in receivership and under process of reorganization, has not been a profitable investment for Radio Corp., since, during the past four years, it has reported heavy deficits. The change in public taste, which once was so appreciative of vaudeville, was partially responsible for this, but the company's business now is more largely confined to the motion picture field, and there are evidences of a

pick-up in this activity. The company made some notable picture productions in 1934 and scheduled 50 productions for the 1934-1935 season.

Broadcasting Pays

A more important and more profitable activity for the corporation is that of broadcasting, which is conducted by its subsidiary, the National Broadcasting Co. It is stated "the ever-increasing importance of broadcasting as a medium of mass communication and mass entertainment brought new support and co-operation from American business and industry and a wider response from the American people." During the year (1934) the National Broadcasting Co. presented 45,240 network programs, including more than 300 from thirty different foreign countries.

The corporation made an intensive survey and analysis of the broadcasting situation and as a result has announced that it has adjusted its advertising rate structure to the increased audiences now being served. The new rates were announced on January 7, 1935. They are expected to be the means of increasing the revenue of this important subsidiary of Radio Corp.

A development in radio that promises increased revenue for Radio Corp. is the "all wave" set. For several years there was lacking in radio the stimulus of a major development—something that would afford a reason for the replacement of old sets with new. Apparently this needed stimulus has been supplied by the "all wave" development. It is estimated that there are about 19,000,000 receiving sets in this country, and it can be seen readily enough what replacements would mean to the radio industry and to Radio Corp.—even without sales to new users.

Facsimile transmission by radio has made such progress that communication by the square inch instead of by the old Morse code is now an accomplished fact on an experimental basis. This development, it is declared, promises "new point-to-point communication services and new broadcasting services to the home, of pictures, printed matter and other visual material."

Through its subsidiary, RCA Communications, Inc., the corporation began, in 1934, its new inter-city radio telegraph service. Cities now connected comprise New York, Philadelphia, Washington, Boston, Detroit, Chicago, New Orleans and San Francisco and Seattle and Los Angeles are to be added in the near future. Radiograms and lettergrams can be sent at the same rate for 15 words and 60 words respectively, as the wire charge for 10 and 50 words. Inter-city messages by radio will be delivered by Western Union to recipients in any cities to which the radio service extends.

Radio Corp.'s investment in Electric & Musical Industries, Ltd., of England is beginning to show results. Radio holds about 29.2% of the ordinary shares of this company, or 1,700,000 shares. It also holds 1,000 shares of the preferred stock.

Earnings of the company increased during 1934. Income the previous year had enabled the company to meet all arrears on its preference stock, and with the improvement continued during 1934, the company in September, 1934, declared a dividend of 10% on the ordinary shares. This provided Radio Corp. a net of $327,809, after deduction of the British tax. With the turn for the better in the earning power of this English company, Radio Corp. reasonably may expect that its returns from this source will be augmented.

The stock of Radio outstanding at the close of 1934 consisted of 495,597.4 shares of preferred "A," of $50 par value; 767,275.1 shares of preferred "B," of $100 par value, and 13,130,690.1 shares of common stock of no par value. Ahead of these, as already stated is a debt of $9,974,800.

One of the great essentials of any corporation is a satisfactory working capital. Without this a company is naturally handicapped, for often it must resort to bank loans and other short term obligations. Radio Corp. has no bank loans, and its working capital at the close of 1934 was $34,250,000.

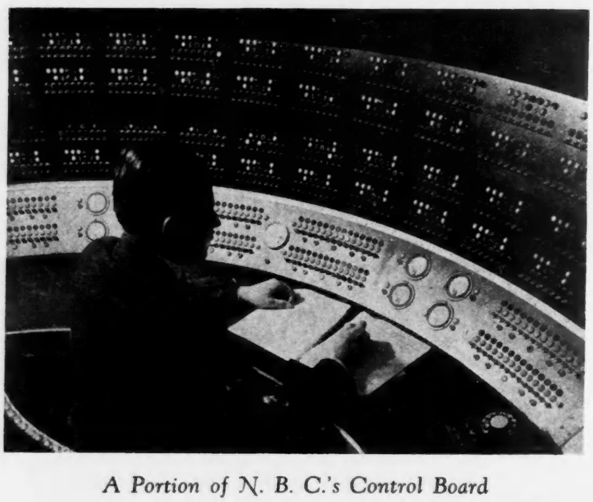
During the period when the corporation was on a higher earnings basis it refrained from paying any dividends on its common stock, thus serving to conserve cash, for current and emergency needs. While this was not so immediately pleasant for the stockholders, it apparently was a wise policy, for when the lean years came Radio was able to maintain itself and to expand. As a result the balance sheet of December 31, 1934, showed that the corporation had in cash $15,074,000, which was more than twice all current liabilities. Cash and U. S. Government and other marketable securities totaled $23,679,000, or more than 3.4 times current liabilities. Inventories, frequently a source of weakness in corporations, since while they are carried as current assets in the present method of bookkeeping, they may not be readily convertible into cash at their stated value, were only a little more than 20% of current assets.

The Outlook

The financial picture of Radio, therefore, is reassuring. In a business with the complexities attendant on it that are manifest in the case of this company, where experimentation and research must be carried on continuously if the company would not stagnate, a paucity of funds for immediate use might well prove disastrous. Radio Corp. is well fortified against such a contingency.

It would be pleasing if a study of the radio field would disclose the fact that the evils which were so prominent a few years ago had been eliminated. It would make the future of Radio so much more rosy. But facts always remain facts, whether damning or fraught with blessings, and it is still too true that competition is of a sort that leaves much to be desired, especially in the business of marketing receiving sets. It matters not that Radio is strong financially—the bad competition still looms, and there seems no probability of it being dissipated in the current year—if indeed, it ever can be. Of course there is always the theory of the survival of the fittest, and it may work out with Radio Corp. But, until there is a better trade

(*Please turn to page 649*)



A Portion of N. B. C.'s Control Board

Strong Stocks in Strategic Industries

Common Stocks of Companies with Present and Prospective Favorable Earnings Trend

SELECTED BY THE MAGAZINE OF WALL STREET STAFF

Owens-Illinois Glass Co.

ALTHOUGH the acute activity created successively by the repeal of the Volstead Act and the later repeal of the Prohibition Amendment, has died down, the permanent stimulus to its business, caused by these acts, has enabled the Owens-Illinois Glass Co. to scale new heights in earnings in the past two years. After setting up a record net income in the amount of $6,032,000, or $4.86 a share in 1933, it went further ahead with a profit of $6,496,000, or $5.41 a share in 1934.

Owens-Illinois Glass Co. is the largest producer of bottles in the world. The company as now constituted is a merger of the Owens Bottle Co. and the Illinois Glass Co. Owens Bottle Co. and its predecessors date back to 1903, while the business of the Illinois Glass Co. had its inception in 1873.

The company produces about 40% of all the bottles and glass containers used in the United States—twice as much as its nearest rival. There is no line of business requiring the use of glass containers to which this company does not furnish some of its product. In addition to making and marketing bottles and other containers, however, it also controls patents on and leases bottle-making machinery. Recently it has introduced a machine which packs coffee in glass containers under a vacuum, and these machines have been leased to coffee packing companies. It has also sought to diversify its product and to occupy its plant capacity, by developing new glass products, such as bricks, glass wool and insulating material.

Earnings Per Share 1933	1934	Recent Price	Div.	Yield
$4.86	$5.41	$90	$4.00	4.4%

Manufacturing plants number 21, located favorably as to raw materials, and marketing facilities. These plants are in Illinois, West Virginia, Indiana, Ohio, New Jersey, Pennsylvania, Oklahoma and in California.

Capitalization is simple, consisting of only one class of stock, of which 1,200,000 shares of $25 par value are outstanding. All of the company's bonds and preferred stock as well as bonds of its subsidiaries, previously outstanding, were retired in 1933 through the issue of 200,000 shares of stock and certain cash payaments. All earnings therefore are now applicable directly to the stock.

Dividends were paid on the preferred stock up to its retirement. On the common the rate was cut to $3 annually in 1930, from $4, and later was reduced to $2. In 1934 the rate was again restored to $3. In November of that year, through a quarterly payment of $1, rate was increased to $4 annually where it stands at the present time.

Current position of the company is satisfactory. At the close of 1934 its current assets exceeded current liabilities by over $19,000,000 and its cash was considerably greater than all current liabilities.

While the company cannot look forward to further stimuli to business such as those following the liquor repeals, and the business in the sale of beer bottles can hardly be expected to increase materially, there is a continued use for new bottles for wines and hard liquors, due to the fact that these bottles are utilized only once by the original purchasers. This should continue a good source of revenue for the company.

The stock of Owens-Illinois Glass Co., on the New York Stock Exchange, is now selling on a basis to yield about 4.4%. The froth is off the bottle business and it is not likely that there will be any recurrence of the gains of 1933. However, demand appears to be well stabilized, giving reason for regarding the stock with favor.

Chickasha Cotton Oil Co.

THE Chickasha Cotton Oil Co. has been for the past two decades one of the most consistent earners in its particular field. With the exception of three years, it has paid dividends, in varying amounts, since 1906. This includes the predecessor company of the same name.

Dividend disbursements in past years have been, at times, exceptionally liberal, ranging as high as $50 a share on the old $100 stock, in 1926-27.

Earnings Per Share (a) 1933	1934	Recent Price	Div.	Yield
$1.31	$3.28	$28	$2.00	7%

(a) Fiscal year ended June 30.

Though the company operated at deficits, for the first time, in 1931 and 1932, it recovered a part of its earning power with 1933, when it reported a net income of $334,000 for its fiscal year ended June 30, 1933. This was increased to $837,000 in the year ended June 30, 1934. These figures were at the respective rates of $1.31 and $3.28 on the outstanding stock. For the six months ending with December, 1934, net income was $408,000 or $1.58 a share.

Because of the improved earnings the company, which had discontinued the payments of dividends in 1931,

resumed disbursement in 1933, paying 75 cents in that year. It followed with payments of 50 cents in each quarter of 1934, making a total for the year of $2, and it has just declared another 50-cent dividend, payable April 1, 1935. All of these payments since resumption have been designated as "specials", but since they have been made regularly they may be regarded as quarterly disbursements, so that to all intents and purposes the stock is on a $2 annual basis.

The sudden reversal which gave the company a net profit in its 1933 fiscal year, against deficits in the two previous annual periods, was attributable to advancing prices for cottonseed oil, which is the company's chief product. Along with this it was able to obtain a better price for the allied products, such as cottonseed cake, cotton lint, felt and cattle feed.

Practically all of the big soap manufacturers are customers of this company, and the makers of food products are among those who add to its revenue. Felt and cotton lint are used in the automobile and furniture trade. When business conditions are normal the company finds no difficulty in disposing of its products, and it was only during the stress of the depression that it suffered so sharply in earning power. With the outlook for fats so encouraging as it is at the present time, it would appear that Chickasha Cotton Oil should go forward to a better first six months of the calendar year—the last six of its fiscal year—than it was able to show in the marked recovery of 1934.

The company has no funded debt. Capital stock, all of one class, is outstanding in the amount of 255,000 shares of $10 par value. Financial position is strong. As of June 30, 1934, it had no bank loans, had over $3,000,000 in cash and a net working capital of $4,337,000.

The management of the company has been largely in the hands of the Wooten family ever since organization. To this is attributed much of the company's success. Recently the president, R. T. Wooten, died, and he has been succeeded by his son of the same initials, while another son has been chosen a director.

Only infrequently active, the stock of Chickasha Cotton Oil merits consideration, both from the past record of the company, and the near term outlook. At $2 a share the dividend yield on the current price of the stock is about 7%, which is above the average. Should cottonseed price be well maintained, earnings during the calendar year should justify purchase of the stock.

Monsanto Chemical Co.

Earnings Per Share				
1933	1934	Recent Price	Div.	Yield
$2.57	$3.21	$59	(a)$1.00	1.7%

(a) Does not include extra, which would make yield 2.1%.

MONSANTO CHEMICAL CO. has established the enviable record of having passed its previous earnings high water mark, for the past two successive years—a record to be proud of, considering the general condition of industry.

In 1934 the company earned $2,771,000, against $2,221,000 in 1933, or at the rate of $3.21 and $2.57 a share respectively. The net profit in the latter year was more than ten-fold that of the parent company in 1924, but much of the increase has come through properties added to the corporation since that time.

Monsanto Chemical is the largest manufacturer of fine and medicinal chemicals in the country, and is also an important factor in the making of heavy chemicals, coal tar products and industrial alcohol. It entered the field for the manufacture of alcohol in 1933, when it formed a subsidiary known as New England Alcohol Co., in which it holds a 55% interest, the minority interest being held by the Central Aquirre Sugar Co., from which is purchased the molasses used in the production of the alcohol.

The Monsanto company has invested over $9,000,000 in the past few years in new properties and improvements. In 1929 it acquired the Merrimac Chemical Co., which resulted in the enlargement of its heavy chemical activities. In fine chemicals its capacity and output was increased through the purchase of the Commonwealth Division of the Mathieson Alkali Works. It has a controlling interest in the Swann Corp., which is a producer of phosphoric acid and derivatives, and heavy chemicals.

Foreign activities are quite marked, about one-fourth of the company's business being accounted for through the Monsanto Chemical Works, Ltd., an English subsidiary, and by direct export from the United States. A favorable situation has been developed here through the lowering of the value of the American dollar.

Monsanto has one single long term obligation, consisting of a closed mortgage of $1,030,500 in sinking fund bonds due in 1942. Capital stock outstanding is of one class, totaling 864,000 shares, following a stock dividend of 100% paid on April 30, 1934.

With the increase in the issued shares the stock was placed on a $1 annual dividend basis with a quarterly payment of 25 cents on June 15, 1934. This is equal to a $2 annual rate on the old capitalization, and compares with $1.25 cents a share paid from 1929, after the stock had been split two-for-one in that year. An extra dividend of 25 cents a share was paid December 15, 1934.

On June 30, 1934, Monsanto had a net working capital of $5,965,000, and while its inventories were put at $3,209,000, it had cash and marketable securities 1.6 times all current liabilities.

Exclusive of extras the stock of Monsanto, listed on the New York Stock Exchange is currently selling to yield about 1.7%. This is a comparatively small yield, but anticipated extras may add to it, and the position of the company in its field is so strong that those who are looking for safety and for long term enhancement in the value of their securities may well give consideration to this stock.

F. W. Woolworth Co.

WHILE the 5-and-10-cent price idea still remains paramount with the company, the management of F. W. Woolworth Co. has departed from the strictly limited price range, within the past few years. Since the 20-cent line was introduced into 100 of the company's stores in 1932 it has proved successful and has widened the scope of the offerings of merchandise in the great chain system that was built up on the humble nickel.

Increased sales in 1934 resulted in larger profits, continuing the improvement shown in 1933 after the drop of

the previous year. Net income for the full year of 1934 was $32,142,000, which compared with $28,690,000 in 1933, these figures being at the rate of $3.31 and $2.96, respectively, on the outstanding stock.

Woolworth has had many imitators and followers of the idea embodied in the 5-and-10-cent chain store, but the company still continues to be the largest in the field, and to expand in a moderate way, but not at the rate that it formerly did. At the close of 1934 it had in operation in this country, Canada and Cuba, 1,957 stores, having added 20 units during the year. Its British subsidiary operated 597 stores and there were 81 units in Germany conducted by the German subsidiary company.

The improvement that was shown in earnings in 1934, over those of the previous year reflects in part increased buying due to better business conditions, but further gains may not be so rapid. Woolworth may be expected to expand conservatively, and there is nothing in the future to suggest any marked gain in earning power. Rather should the company profit through the natural increment of business, gaining each year as business conditions improve, and exhibiting a stabilized earning power.

Earnings Per Share 1933	1934	Recent Price	Div.	Yield
$3.31	$2.96	$55	$2.40	4.4%

The British branch of the business has shown to advantage. As a matter of fact, the English company, which is about 50% owned, for the past several years has returned, on a comparative basis, about double the results from American operations. Results from the German chain also have been more favorable.

Through the years of profitable operations Woolworth has been able to build up a strong financial position, so that at the close of 1934 it had in cash $21,700,000, or more than four times all quick liabilities. Net working capital increased nearly one and one-half million dollars over the previous year, and stood at $56,065,000.

Woolworth has no long term debts except purchase money mortgages for property bought. Its sole capital stock outstanding is of one issue, consisting of 9,750,000 shares of $10 par value. Capital expansion has been financed entirely within the company, while surplus earnings have been more than enough to provide for unit increase. The increase in the stock from the original 100,000 shares to the present amount has come entirely through stock dividends and split-ups. A liberal policy has been pursued with reference to dividends.

The present dividend rate of $2.40 annually has been in effect since 1930, being maintained even in years when the earnings were less than dividend requirements. Return of earnings to a higher level provides immediate safety for the dividend.

Woolworth stock at around 55, the approximate price on the New York Stock Exchange as this is written, yields about 4.4%. Since there is every reasonable assurance of stability of income more than sufficient to cover dividend needs, the stock has its attraction at the current level, and partakes of the character of an investment issue.

Liggett & Myers Tobacco Co.

After recording, in 1933, the lowest net income since 1925, the Liggett & Myers Tobacco Co. staged a substantial come-back in 1934, increasing its profit from $16,731,000 in the former year, to $20,086,000 in the latter. These figures were at the respective rates of $5.92 and $4.85 on the combined common and common "B" shares.

Earnings Per Share 1933	1934	Recent Price	Div.	Yield
$4.85	$5.92	(a)$106	$5.00	4.7%

(a) "B" common.

The chief answer to the question as to what caused the improvement can be given in one word: "Chesterfield." This is the company's leading brand of cigarettes, and in point of sales volume it probably led all the other competitive brands in 1934, though the three leaders were nearly on a parity with each other.

The policy of concentrating largely on one brand of cigarettes has been followed by the companies in the tobacco industry that are known as the "Big Four", of which Liggett & Myers is one. This does not mean that the other brands are entirely neglected, for in the case of Liggett, it has "Fatima" and "Piedmont" and a 10-cent brand, "Sunshine", which is manufactured by a subsidiary.

The inroads that were made in the sales of the big popular brands of cigarettes of the four largest companies, in 1933, by the 10-cent brands, were especially noticeable in the case of Liggett, accounting very largely for the low record of earnings in that year. This condition was altered considerably in 1934, and while the cheaper brands of cigarettes continued to have their following the gain in the sale of such brands was not so marked and "Chesterfield" cigarettes made newer headway.

The sale of the big popular brands is always subject to sharp fluctuations over a comparatively short period of time—due largely to changes in the style of advertising copy or the volume of advertising, which shifts the taste of the consuming public very quickly. This is always one of the things which must be reckoned with in considering the possibilities of profits in the cigarette field.

Liggett & Myers is prominent in the manufacture of smoking and plug tobaccos. Its "Velvet" and "Granger" brands are well up among the leaders and provide a more stable than, if not as large, a revenue as, do sales from cigarettes.

In common with the other makers, Liggett & Myers finds its business affected by the heavy taxes. At the present time there is a concerted effort on the part of the various manufacturers to bring about a reduction in Federal taxes, though with what probability of success it is not yet apparent.

Liggett & Myers has a strong financial position. At the close of 1934 its net working capital was $148,862,000. The largest item in its current liabilities naturally was inventories, since it is necessary for companies of this sort to have heavy supplies on hand, in the various processes of curing, over a period of time. However, cash and government and other marketable securities were more than five times all current liabilities.

Capitalization of Liggett & Myers consists of a funded debt of $27,799,000; 225,141 shares of 7% cumulative preferred stock of $100 par value; 859,856 shares of common stock of $25 par value and 2,277,083 shares of class "B" common, of $25 par value. Save that it has no voting power the "B" stock is identical with the common, sharing equally in dividends, rights, and other privileges.

Regular dividends of $4 a share are being paid on both classes of common, and have been paid since 1928. An-

(Please turn to page 650)

What Annual Statements Show

Reports of Leading Corporations Reveal Significant Earnings Trends

By J. C. Clifford

Commercial Solvents—Important Changes Under Way

The 1934 balance sheet of Commercial Solvents discloses an increase in cash from $1,646,642, at the end of 1933, to $8,776,567, reflecting principally the sum of $7,420,000 received from the sale of the company's 30% interest in the Krebs Pigment and Color Corp., to E. I. du Pont de Nemours & Co. Out of this cash the company has since paid an extra dividend of 25 cents a share and has expended $2,600,000 for the purchase jointly with the Corn Products Refining Co., of Molasses Products Co., and the Dunbar Molasses Corp., both of which companies are important units in the molasses business. As a result, Commercial Solvents is assured an adequate supply of molasses for the four ethyl alcohol plants acquired in 1933. The company will also be in a position to produce butyl alcohol from molasses. Further aquisitions of similar nature may be expected in line with the obvious intention of the company's management to further round out and diversify activities. Last year Commercial Solvents showed earnings equal to 89 cents a share on its capital stock, compared with 88 cents earned in 1933.

* * *

National Lead—Sales and Earnings Up; Expansion Planned

Sales of National Lead registered a gain of practically $10,000,000 last year. Moreover this was a genuine increase, representing larger tonnage sales, and in no way reflects higher prices, inasmuch as the company has not advanced prices during the last two years. Because, however, of sharply increased operating costs, the company's operating profit of $2,759,030 last year was slightly less than in 1933, and only by virtue of a gain of about $600,000 in "other income" was National Lead able to show earnings of $8.37 a share on its common stock, comparing with $6.98 in 1933. Giving effect to the 14% stock dividend paid earlier this year, last year's profits were equal to $7.34 a share. The company has spent $4,300,000 on a new titanium oxide plant in order to take care of the substantial increase in the sales of this product and it is expected that the plant will shortly be in operation. The balance sheet showed the financial strength typical of National Lead.

* * *

Fisk Rubber—Taxes Take a Heavy Toll

For the enlightenment of its stockholders Fisk Rubber Corp. presented in its annual report a detailed enumeration of its 1934 tax bill. Property Taxes totalled $149,790; Federal Excise Taxes, $742,163; Federal Cotton Process Taxes, $420,927; Federal Income Taxes, $84,615; Capital Stock Tax, $10,350; and State and Local Taxes, $54,003. The grand total amounted to $1,461,848, or approximately 14 cents out of every dollar of net sales—or two times the company's net profit of 7 cents on every dollar of sales. The experience of this company is by no means an isolated one and depicts well what is happening in every industry and business today.

* * *

General Electric—Present Price Nearly 40 Times Earnings

The preliminary report of General Electric for 1934 indicates net profit of $17,151,000 available for the common stock, comparing with $10,855,000 in 1933. Judged by any standards, this is a pretty impressive earning's performance—the more so when it is realized that General Electric is properly classified as a producer of capital goods. In terms of the company's common stock, of which there are 28,845,927 shares outstanding, last year's profits were equal to 59 cents a share or 1 cent short of the present 60-cent dividend. In 1933, the shares earned 38 cents each. The shares have recently sold in the 22-24 range, at which levels the market capitalizes last year earnings on an extremely generous basis—about 40 times, to be exact. Shades of 1929, when even one of the most rampant bulls gave his opinion that a good common stock was warranted in selling at 15 or 20 times earnings. Even for so prominent and successful an enterprise as General Electric, the present market would seem to be exacting a pretty stiff premium for the privilege of participating in the company's profits.

* * *

J. C. Penney—1929 Sales Surpassed

Total sales of J. C. Penney last year amounted to $212,053,361, exceeding the 1929 peak and (*Continued on page* 650)

Coming Dividend Meetings

Company	Approx. Date	Probable Action (on the common)
Alaska Juneau..........	Mar. 28	Regular 15 cents and 15 cts. extra.
American Can..........	Mar. 26	Regular $1.00.
American Lgt. & Traction	Mar. 26	Regular 30 cents.
Briggs Mfg.............	Mar. 27	Regular 50 cents.
Burroughs Adding Mach.	Mar. 26	Regular 15 cents.
Corn Products Refining..	Mar. 22	Regular 75 cents.
Cudahy Packing........	Mar. 20	Regular 62½ cents.
General Mills..........	Mar. 29	Regular 75 cents.
Gold Dust.............	Mar. 27	Same as last quarter; 30 cents.
Hershey Chocolate......	Mar. 26	Regular 75 cents
Liquid Carbonic.........	Mar. 28	Regular 25 cents.
Mid-Continent Petroleum	Mar. 28	Less than 25 cents.
National Cash Register..	Mar. 20	Same as last quarter; 12½ cents.
National Distillers.......	Mar. 28	Special divd. of more than 50 cts.
Pullman, Inc............	Mar. 20	Regular 75 cents.
Reading Co.............	Mar. 28	Regular 50 cents.
U. S. Smelt. Ref. & Min..	Mar. 22	Special dividend of at least $2.

Taking the Pulse of Business

—Political News Engenders Uncertainty

—Declining Currencies Menace Commodities

—Automobile Output Sustained

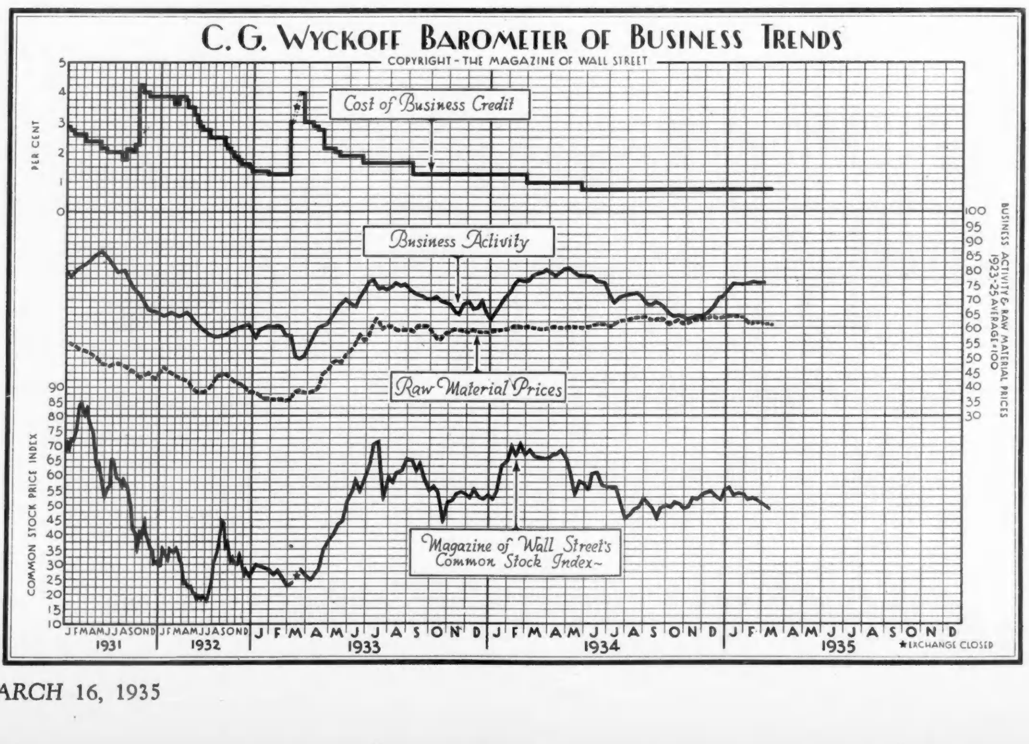
—Crude Oil May Be Controlled

THE behavior of our Common Stock Index during the past few weeks has scarcely been encouraging either as an index of current business sentiment or as a barometer of business conditions which may develop during the second quarter. On balance, it is of course true that the news since our last issue, though in part of favorable tenor, has tended to undermine confidence. On the constructive side we have the decision of a Federal Court that the T V A can not sell power lawfully in competition with privately operated plants. Coupled with this is the possibility that the Wheeler-Rayburn bill, dealing with the dissolution of holding companies, may be modified. Then there was the Treasury's offer to refund $1,850,000,000 of outstanding Liberty 4¼s through exchange for a new issue of 20-25 year 2⅞s, the decidedly lower coupon rate being made possible by the currently low Cost of Business Credit.

Among unfavorable developments since our last issue may be enumerated the decisions of lower courts that Section 7-A of N I R A is unconstitutional and that the code can not lawfully dictate wages to be paid in the soft coal industry; the Senate's delay in acting upon the work relief and other Administration bills; extreme weakness in the pound, lira and mark, which weighs heavily upon the prices of staple commodities with an international market and raises fears that this may have repercussions on the sorely tried "gold bloc." A strike vote called in the automobile industry, which has long been the brightest spot in the business picture; recent tapering off of Government emergency expenditures; slack sales in textiles; a mounting cost of living, which already has begun to reduce real wages; the many radical and disquieting measures which are being introduced in Congress; the rumored estrangement between Hitler and England; Italy's movement of troops to Abyssinia; and the mobilization of Bulgarian and Turkish forces, ostensibly in consequence of the revolution in Greece.

While the foregoing array of disquieting news is admittedly imposing, it scarcely seems adequate of itself to account for the extreme weakness in our Common Stock index, which therefore appears to be discounting poorer business conditions in the not distant future. Actually, our Business Activity index of recent weeks has made little headway in either direction, though the latest reports available at present writing disclose a slight upturn, attributable to abnormally heavy coal movements in anticipation of the renewal of wage discussions on April 1st when the present code agreement will expire. Heavy coal shipments, not at present directly related to true business activity throughout all industries of the country, have thus caused a more than seasonally large rise in car loadings, which have more than offset a further decline in steel ingot output. Automobile production continues to expand, but somewhat less vigorously than is customary at this season of the year.

Up to the present time, the weakness in sterling has been nearly counteracted in its effect upon domestic commodity prices by the existing shortage of stocks of grains carried



over from last season, the bullish influence of which has been reinforced by Government reports pointing to another shortage this year in the winter wheat crop. For these reasons, there has thus far been only a very moderate decline in our index of Raw Material Prices. Owing largely to last year's drought, which is causing a marked drop in the number of meat animals coming to market, the cost of food is still rising. Since wage increases are not quite keeping pace with the advance in living costs, there has been a slight drop in real wages, which the Federal Reserve Bank of New York estimates at about 2% for the past year. This is close to the figure shown by our own indexes. It should be noted, however, that the effect of this recession in real wages upon the public's purchasing power has been a little more than offset by a 3% rise in business payrolls consequent upon an increase in total employment.

The Trend of Major Industries

STEEL—With rising production of motor cars and little, if any, halt in the output of cans and agricultural implements, it is believed in the trade that there has been as yet no slackening in consumption of finished steel products. Consequently the decline in the steel ingot rate to 48% of capacity from the year's peak of 52.6% is regarded as a healthy balancing of production with consumption. It is nevertheless perhaps significant of a further recession of the ingot rate in the near future that opening of the books for second quarter delivery has thus far failed to stimulate forward buying except in flat rolled steel. Automobile makers, the chief consumers of steel, appear to be ordered, and perhaps stocked, well ahead in anticipation of labor trouble—as may be inferred from the fact that Detroit is operating at 100%, while other districts—notably Eastern Pennsylvania, which is down to 29.5%—are operating at considerably lower rates. As a whole, the industry remains just a little in the black.

METALS—Under continued purchases by China, India and the United States, silver advanced to 58 cents recently, a new six-years' high. Blue Eagle copper still goes begging at the pegged price of 9 cents; though prices for delivery at European ports have advanced fractionally to 7⅞ under hopes that foreign output may be curtailed as a result of the world conference of producers now in session here. Tin has dropped further to around 47 cents, from the year's high of 51¼ cents, under the combined pressure of lower rates for sterling and dumping by foreign speculative pools. World consumption in 1934 amounted to only 130,000 tons, compared with 134,000 in 1933—a drop of 15,000 tons in this country sufficing to more than offset an increased consumption of 11,000 tons in foreign countries. Zinc prices advanced fractionally since our last issue; while lead held unchanged.

PETROLEUM—The Oil Administration at Washington is rushing plans to revive the Federal Tender Board under the new Connally Law recently signed by President Roosevelt, which is supposed to be Supreme Court-proof. Under the new law contraband shipments of oil over a State boundary are subject to confiscation, and it is reported that production of hot oil in Texas has suddenly shrunk to 3,000 barrels daily. During the week preceding enactment of the new Connally Law 1,625 out of 2,567 tank cars which left the East Texas field were without legal clearance certificates. Secretary Ickes still claims, however, that the new law does not go far enough.

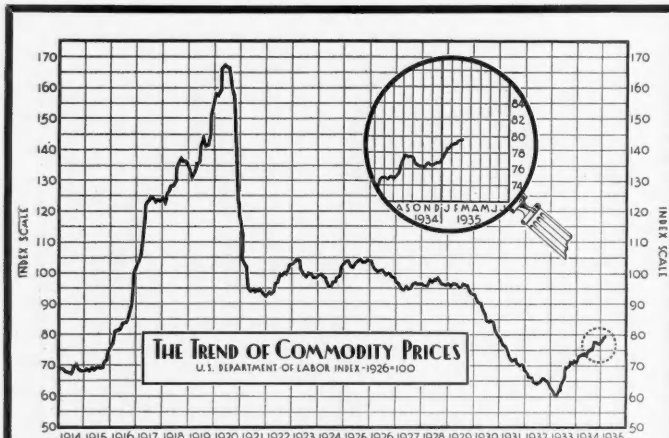
CEMENT—Cement makers are not greatly disturbed over the tariff reduction in the recently negotiated trade agreement between Belgium and the U. S. The new duty amounts to 4.5 cents a 100 pounds, compared with 6 cents formerly. This is a reduction of only 5.7 cents per barrel of 380 pounds. Last year's imports from all countries totalled only 266,000 barrels, compared with domestic shipments of 76,000,000 barrels.

CHEMICALS—Demand for alkalies showed strong improvement in January and February. Nevertheless, potential productive capacity for alkali materials has been considerably augmented in the past year because several large southern plants have been completed. Interlocking control of these facilities by important chemical and fertilizer companies has insured that the market for this specialty will not be glutted.

AUTOMOBILE ACCESSORIES—Owing to expanding automobile production, the makers of parts expect to enjoy the best year since 1930, unless output is held up later by labor trouble. Annual results for nine leading producers rose from a deficit of 6.3 millions in 1932, to a profit of 3.5 millions in 1933, and 10 millions in 1934. Net income this year is expected to run 30% to 50% ahead of 1934.

Conclusion

While the grist of news developments over the past few weeks has been discouraging on balance, it scarcely seems bad enough to account wholly for the severe decline in our Common Stock Index without assuming that this must also foreshadow a recession of some proportions in Business Activity during the present quarter. Of course there is another alternative that the slump in stocks may be the forerunner of a pending European crisis, the gravity of which can not yet be appraised on this side of the water. This would account for some recent foreign selling of American securities. Time alone will tell whether the trouble which seems to be brewing is foreign, or domestic, or both.

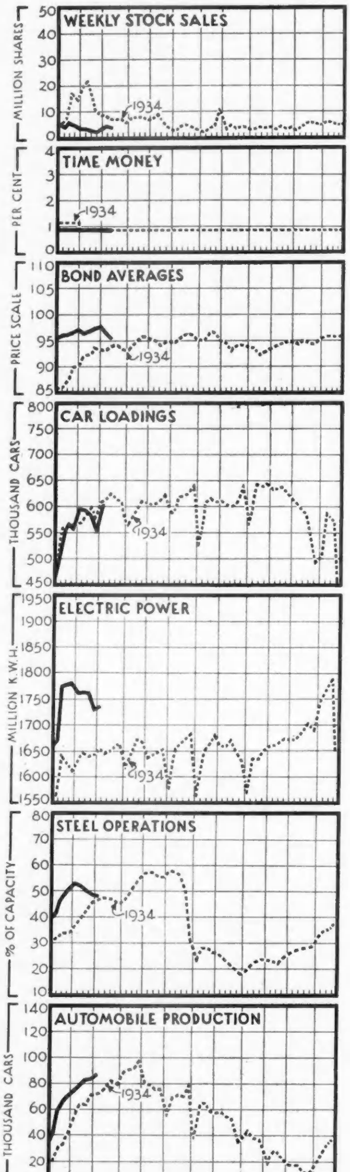


Changes in Major Commodity Price Group for the Fortnight Ended March 2, 1935

Farm Products	up	0.8	Metals	down	0.1
Foods	down	0.6	Building materials	up	0.1
Hides and leather	down	0.1	Chemicals	up	1.2
Textiles	down	0.3	Housefurnishings	down	0.3
Fuel and lighting	down	0.1	Miscellaneous	down	0.3

The Magazine of Wall Street's Indicators

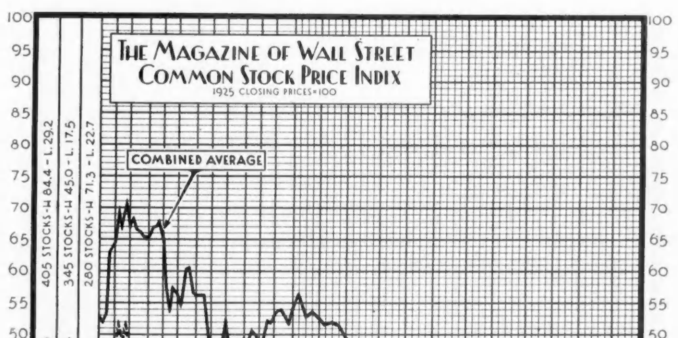
Business Indexes



Common Stock Prices Index

1934 Indexes High	1934 Indexes Low	1934 Indexes Close	Number of Issues	(1925 Close—100)	1935 Indexes High	1935 Indexes Low	Feb. 23	Mar. 2	Mar. 9
71.2	45.0	54.6	288	COMBINED AVERAGE...	56.4	46.0	49.7	48.8	46.0
105.7	44.2	87.0	5	Agricultural Implements....	88.1	73.3	78.0	79.1	73.3
42.3	20.2	27.1	6	Amusements..............	27.1	19.4	22.0	21.4	19.4
58.9	35.2	55.5	13	Automobile Accessories....	57.4	49.3	52.7	51.0	49.3
24.9	11.8	14.2	13	Automobiles..............	16.8	10.1	11.7	11.1	10.1
92.5	43.6	60.1	5	Aviation (1927 Cl.—100)....	60.1	43.4	51.6	48.1	43.4
17.4	8.7	9.2	3	Baking (1926 Cl.—100).....	9.2	8.4	9.1	8.8	8.6
240.9	153.6	191.8	2	Bottles & Cks. (1932—100)..	201.0	185.4	200.6	200.5	191.0
136.0	100.0	131.6	4	Business Machines........	133.4	119.7	125.8	124.3	119.7
229.5	178.9	227.5	2	Cans....................	244.7	226.1	244.5	244.7H	240.7
210.5	134.3	167.2	8	Chemicals................	169.9	151.8	156.6	156.6	151.8
37.2	22.1	28.8	16	Construction.............	31.4	23.9	27.6	26.4	23.9
70.1	40.1	43.8	5	Copper..................	47.2	38.2	40.9	41.6	38.2
37.0	25.7	32.0	2	Dairy Products...........	33.1	31.5	32.9	33.1	32.3
26.8	16.4	21.2	8	Department Stores........	22.7	18.7	19.6	18.9	18.7
84.2	56.0	73.1	7	Drugs & Toilet Articles.....	73.1	62.2	65.3	64.2	62.2
91.3	59.1	78.7	3	Electric Apparatus........	82.1	74.7	79.3	79.9	74.7
211.2	103.8	211.2	2	Finance Companies........	233.2	211.2	232.3	233.2H	222.2
64.0	51.1	58.3	7	Food Brands..............	59.3	55.3	57.2	56.7	55.3
71.1	55.1	55.7	4	Food Stores..............	56.4	47.5	50.2	48.3	47.5
58.8	36.2	45.4	3	Furniture & Floor Coverings	45.4	35.9	41.7	39.1	35.9
1372.0	1106.0	1164.9	3	Gold Mining..............	1204.5	1062.4	1133.4	1204.5	1161.4
35.6	25.1	35.6	5	Household Equipment.....	37.9	35.4	36.4	37.9H	36.5
31.8	19.3	20.8	4	Investment Trusts.........	20.8	17.9	19.3	18.4	17.9
295.5	164.0	247.0	3	Liquor (1932 Cl.—100).....	273.9	240.4	245.8	255.4	247.8
53.4	34.2	44.2	2	Mail Order...............	44.7	36.0	37.4	37.3	36.0
88.6	51.9	62.0	3	Meat Packing.............	62.2	48.3	54.1	55.2	48.3
160.1	117.4	127.8	11	Metal Mining & Smelting..	131.3	114.4	116.2	120.5	114.4
86.8	52.0	58.2	23	Petroleum................	60.2	53.2	56.4	55.6	53.2
25.0	15.2	21.0	3	Phonos. & Radio (1927-100)	21.0	16.8	19.0	18.2	16.8
72.8	32.1	34.8	18	Public Utilities...........	34.8	24.9	27.4	26.2	24.9L
66.2	34.9	43.9	8	Railroad Equipment.......	43.9	31.2	35.8	34.0	31.2
52.0	24.5	25.8	25	Railroads................	26.7	17.8	20.8	20.0	17.8
15.9	6.0	8.8	3	Realty..................	8.9	6.0	6.5	6.2	6.0
50.2	28.9	41.6	3	Shipbuilding.............	43.4	31.3	35.6	34.5	31.3
77.0	42.0	54.4	10	Steel & Iron.............	57.4	42.5	48.7	45.7	42.5
31.3	20.4	22.2	5	Sugar...................	26.2	21.1	24.8	26.2	24.4
214.0	131.5	143.2	2	Sulphur.................	143.2	126.5	132.3	129.2	126.5
70.3	40.2	45.2	3	Telephone & Telegraph....	45.5	37.6	39.9	39.3	37.6
65.8	37.5	47.8	8	Textiles.................	50.4	38.4	43.1	42.3	38.4
14.6	7.6	9.0	5	Tires & Rubber...........	9.3	6.9	8.2	7.8	6.9
88.6	66.5	84.7	4	Tobacco.................	87.6	82.3	83.2	83.1	82.8
73.5	43.5	65.0	3	Traction................	66.8	58.6	65.1	63.8	58.6
275.5	43.6	258.2	3	Variety Stores...........	258.2	237.1	243.8	246.4	241.7

H—New HIGH record since 1931. L—New LOW record since 1928.



(An unweighted index of weekly closing prices; compensated by stock dividends, splitups, and rights, and covering about 90% of the volume of transactions in all Common Stocks listed on the New York Stock Exchange.)

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1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities.*
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
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MACK TRUCKS, INC.

I am wondering if Mack Trucks might not offer attractive possibilities now when it is selling well under 1934 highs. Would you advise purchase at current levels for early appreciation, or do you consider any improvement is discounted in today's prices?—L. B. Y., Oakland, Calif.

Mack Trucks, Inc., has long been a recognized leader in the manufacture of quality, heavy duty trucks, buses and other type of commercial vehicles. Due largely to the fact that the construction industries are the principal outlet for heavy duty trucks and the continued low level of operations in these industries, Mack Trucks has as yet failed to record the same degree of improvement as has been enjoyed by manufacturers of passenger vehicles and light, inexpensive trucks. Another factor which has tended to minimize the effect of general business recovery insofar as the subject company's earnings are concerned is the large number of idle trucks caused by restricted building operations during recent years. Naturally, as conditions warrant, these may be brought back into active service at considerably less expense than would be incurred through new equipment purchases. On the other hand, obsolesence has continued through the depression years and there is little question but the heavy industries will place substantial truck orders once their business has recorded sufficient improvement to justify such action. While no immediate substantial benefit is in prospect from that source, demand for general industrial line trucks manufactured by Mack may be expected to record further improvement as economic recovery progresses. It is our opinion that the company's showing last year, when net income of $17,133, compared with $947,909 loss for the previous year, is an indication of a permanent reversal in the downtrend in earnings which had been in evidence since 1929. Financially the company is in excellent shape despite the fact that dividends have been paid in excess of earnings in each of the past five years. Capitalization is comprised solely of 676,145 shares of common stock, all funded debt having been retired in 1933. At current levels the common stock does not appear undervalued in relation to indicated current and near term prospective earnings, but when consideration is given to the more favorable long term potentialities of the company purchases made during periods of general market weakness should ultimately prove highly profitable.

OHIO OIL CO.

Do you advise the purchase of Ohio Oil common? In anticipation of measures to regulate the flow of crude oil, and increasing seasonal demand for gasoline, it seems to me this stock is attractively priced. What do you think?—L. W., Memphis, Tenn.

Despite the fact that the Ohio Oil Co. has greatly expanded its refining and marketing facilities during recent years, the company's dominant activity remains the production and sale of crude oil. In addition to ranking as one of the largest producers of crude in the country, the company purchases for resale substantial quantities from independent operators. It may be readily appreciated, therefore, that the company's earnings are particularly sensitive to fluctuations in the price of crude oil. Reflecting the generally satisfactory price level of the latter during the initial nine months of 1934, the subject company reported net income of $5,018,616, equal, after dividend requirements on the 6% preferred stock, to 38 cents a share on the common. This compared with a deficit of $1,933,831 for the like interval of 1933. The principal threat to the industry for some time past has been the steady flow of hot oil from the East Texas field. With the adverse decision of the United States Supreme Court with respect to the President's power to regulate interstate transportation of petroleum it was feared that illicit East Texas crude would flood the country and result in a return of the chaotic conditions existing prior to Federal regulation of the industry. Recognizing the seriousness of the situation, however, new legislation has been adopted by Washington which, it is hoped, will prove successful in at least checking excessive production. With the industry on the thresh-

(*Please turn to page 643*)

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THE recent gold clause decisions and the break in the pound emphasize the possibility of a further decline in the dollar and a sharp inflationary rise in selected security prices during the coming months.

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	39¾

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New York Stock Exchange

Rails

	1933		1934		1935		Last Sale	Div'd $ Per
A	High	Low	High	Low	High	Low	3/6/35	Share
Atchison	80⅛	34⅝	73¾	45¼	55⅝	37¾	38⅞	2
Atlantic Coast Line	59	16½	54¼	24½	37¼	23¼	23½	..
B								
Baltimore & Ohio	37⅞	8¼	34½	12¾	15	8¼	8⅞	..
Bangor & Aroostook	41¾	20	46⅛	35½	42¼	37	37	2½
Brooklyn-Manhattan Transit	41¼	21¾	44⅞	28¼	44⅛	36⅞	38	‡.75
C								
Canadian Pacific	20⅞	7½	18¼	10⅞	13¾	9⅞	10	..
Chesapeake & Ohio	49¼	24⅝	48⅝	39½	44⅞	38	39⅝	3
C. M. & St. Paul & Pacific	11¾	1	8½	2	3	2	2	..
Chicago & Northwestern	16	1¼	15	3½	5⅝	3	3⅛	..
Chicago, Rock Is. & Pacific	10⅛	2	6¼	1⅜	2⅝	1¾	1¾	..
D								
Delaware & Hudson	93¾	37⅝	73½	35	43½	25⅛	26	..
Delaware, Lack. & Western	46	17¼	33¾	14	19⅛	12	12½	..
E								
Erie R. R.	25¾	3¾	24⅞	9⅜	14	8¼	8⅝	..
G								
Great Northern Pfd.	33¾	4⅝	32½	12¼	17¾	10¾	11¼	..
H								
Hudson & Manhattan	19	6½	12⅛	4	5½	2¾	3½	..
I								
Illinois Central	50¾	8½	38⅞	13⅝	17¼	9⅝	10	..
Interborough Rapid Transit	13¾	4⅛	17½	5¼	16⅛	12⅛	12⅛	..
K								
Kansas City Southern	24⅞	6½	19¾	6⅝	8¾	4⅞	4⅞	..
L								
Lehigh Valley	27¾	8⅝	21¼	9½	11½	6¼	6½	..
Louisville & Nashville	67½	21¼	62½	37¾	47½	38¼	38¼	3
M								
Mo., Kansas & Texas	17⅛	5¾	14⅞	4⅜	6¼	3	3⅛	..
Missouri Pacific	10¼	1⅛	6	1½	3	1½	1½	..
N								
New York Central	58½	14	45¼	18⅜	21¾	12⅝	13½	..
N. Y., Chic. & St. Louis	27⅝	2⅛	26⅞	9	13	8½	8½	..
N. Y., N. H. & Hartford	34⅞	11⅛	24⅛	6	8½	2⅞	4	..
N. Y., Ontario & Western	15	7½	11⅝	4½	6	3⅜	3⅜	..
Norfolk & Western	177	111½	187	161	175	160	160	*10
Northern Pacific	34⅞	9⅝	36¼	14½	21⅞	13⅝	14¼	..
P								
Pennsylvania	42¼	13¾	39⅛	20⅛	25⅜	18⅝	18¾	1
R								
Reading	62½	23½	56⅜	35⅛	43⅛	35	35	2
S								
St. Louis-San Fran	9	⅞	4⅝	1⅛	2	1⅛	1⅛	..
Southern Pacific	38¾	11⅛	33¾	14⅞	19⅛	13⅝	14⅛	..
Southern Railway	36	4⅛	36½	11½	16½	8½	8¾	..
T								
Texas & Pacific	43	15	43¼	13½	25¾	17¼	17¼	..
U								
Union Pacific	132	61¼	133⅞	90	111½	89	89¾	6
W								
Western Maryland	16	4	17¼	7⅛	9⅞	6¾	6¾	..

Industrials and Miscellaneous

	1933		1934		1935		Last Sale	Div'd $ Per
A	High	Low	High	Low	High	Low	3/6/35	Share
Adams-Millis Corp	80	60	103½	73	33½	29⅜	31	2
Air Reduction, Inc	112	47½	113	91¾	115¾	109½	111¼	3
Alaska Juneau	33	11⅛	23⅞	16⅝	20⅛	16⅜	16¾	*1.20
Allied Chemical & Dye	152	70¾	160¾	115⅛	141	132	133	6
Allis Chalmers Mfg	26¾	6	23⅜	10⅜	17⅞	14⅜	14¾	..
Alpha Portland Cement	24	5¾	20⅛	11½	20¼	15⅛	15¾	1
Amerada Corp	47⅝	18½	55⅝	39	57	48½	55⅛	3
Amer. Agric. Chemical (Del.)	35	7¼	48	25¼	57¾	47½	50	2
American Bank Note	28½	8	25¼	11½	18½	13½	14	..
Amer. Brake Shoe & Fdy	42½	9⅛	38	19½	29⅝	25¼	26	.80
American Can	100½	49½	114¾	90¼	123	110	116¾	*5
Amer. Car & Fdy	39¾	6⅛	33⅞	12	20¼	12½	12½	..
American Chicle	51¼	34	70⅝	46¼	75½	66	75¼	*3½
American & Foreign Power	19⅝	3⅞	13¾	3⅞	5⅛	2½	2½	..
Amer. International Corp	15⅛	4¼	11	4¾	6¾	5	5⅛	..
Amer. Power & Light	19⅞	4	12¼	3	3¾	2	2	..
Amer. Radiator & S. S	19	4⅝	17⅝	10	16⅛	11⅜	11¾	..
Amer. Rolling Mill	31⅞	5¾	28¼	13½	24	17¼	18¼	..
Amer. Smelting & Refining	53½	10¾	51¼	30¼	40⅛	32¾	34⅜	..
Amer. Steel Foundries	27	4⅝	26½	10⅛	18¼	12⅝	13½	..
Amer. Sugar Refining	74	21½	72	46	70½	60	66	2
Amer. Tel. & Tel.	134¾	86½	125¼	100⅛	106¾	102¾	104½	9
Amer. Tob. B	94¾	50¾	89	67	86⅝	78⅜	79½	5
Amer. Water Works & Elec	43¼	10⅞	27⅝	12⅝	14⅞	9½	9¾	1
Amer. Woolen Pfd	67½	22⅝	83¾	36	45⅛	37	37¼	..
Anaconda Copper Mining	22⅞	5	17¾	10	12⅜	9⅛	9½	..
Armour Co. of Ill.	....	....	6¾	3½	6⅛	4½	4⅝	..
Atlantic Refining	32½	12⅜	35¼	21½	25⅝	22¼	22⅜	1
Auburn Auto	84¼	31	57⅜	16½	29¾	18½	19	..
Aviation Corp. Del	16⅜	5½	10¾	3¾	5⅝	3½	3⅝	..

Price Range of Active Stocks

Industrials and Miscellaneous *(Continued)*

	1933 High	1933 Low	1934 High	1934 Low	1935 High	1935 Low	Last Sale 3/6/35	Div'd $ Per Share
B								
Baldwin Loco. Works	17⅝	3½	16	4½	6⅜	1½	1⅞	..
Bayuk Cigar	52½	3¼	45¾	23	44⅝	40	41¼	§4
Beatrice Creamery	27	7	19¾	10¼	19	16⅛	17½	‡.50
Bendix Aviation	21¼	6⅛	23⅞	9¾	17½	12½	13½	..
Best & Co	33⅛	9	40	26	38¼	34	35¼	2
Bethlehem Steel Corp	49¼	10⅛	49½	24⅛	34⅜	34⅝	25	..
Bohn Aluminum	58½	9½	68¾	44½	59⅞	53	55	3
Borden Company	37⅜	18	28¼	19⅞	25¾	23¼	24½	1.60
Borg Warner	22¼	5½	31⅜	16⅛	34⅛	28¼	31	1½
Briggs Mfg	14⅝	2⅝	28⅜	12	30⅛	24½	27¾	2
Bristol-Meyers	40½	25	37½	26	36¼	33½	34	*2.40
Burroughs Adding Machine	20⅞	6⅛	19⅜	10½	15¾	14¼	14¼	.60
Byers & Co. (A. M.)	43¼	8½	32¾	13¾	20⅝	13½	14⅛	..
C								
California Packing	34¾	7¾	44⅜	18¾	42½	36½	38⅝	1½
Canada Dry Ginger Ale	41¼	7½	29½	12½	16⅝	9⅝	10⅛	1
Case, J. L.	103½	30½	86¾	35	63	50¾	52¼	..
Caterpillar Tractor	29¾	5½	38¾	23	44	36½	40	1
Celanese Corp	58⅞	4½	44⅞	17⅛	35⅜	23½	24⅝	..
Cerro de Pasco Copper	44¾	5⅞	44½	30¼	47	38⅝	42⅛	2
Chesapeake Corp	52½	14⅞	48⅞	34	44⅞	38	39⅝	3
Chrysler Corp	57⅝	7¾	60⅜	29¼	42½	32½	33⅝	1
Coca-Cola Co	105	73½	161½	95¼	180	161⅞	177½	8
Colgate-Palmolive-Peet	22⅜	7	18⅛	9⅜	18¼	16⅛	17¼	.50
Columbian Carbon	71¼	23⅛	77¼	58	79¾	67	76½	4
Colum. Gas & Elec	28⅛	9	19¼	6⅝	7¾	4⅜	4⅜	..
Commercial Credit	19¼	4	40¼	18⅝	47¼	39½	42⅞	2
Comm. Inv. Trust	43½	18	61	35¾	62¼	56¼	56¾	*2½
Commercial Solvents	57¼	9	36¾	15¾	23⅞	18⅝	19	.85
Congoleum-Nairn	27⅝	7⅜	35⅜	22	34⅞	28¾	28¾	1.60
Consolidated Gas of N. Y.	64⅛	34	47⅜	18½	22⅝	15⅞	16½	1
Consol. Oil	15¾	5	14¼	7¼	8¾	7⅛	7⅛	†.42
Container Corp. "A	10¼	1⅛	13¾	6⅛	13⅝	10⅝	10¾	..
Continental Can, Inc	78⅜	35¼	64½	56¾	73½	62¾	69	2.40
Continental Insurance	36½	10½	36¼	23⅜	34	30	31	*1.35
Continental Oil	19⅝	4⅞	22¾	15¾	19⅛	16¾	17	†.50
Corn Products Refining	90⅝	45⅜	84½	55½	68	62	63	3
Crown Cork & Seal	65	14¼	36¼	18¾	28	23⅝	24¾	1
Cudahy Packing	59½	20¾	52⅝	37	47½	41	43¾	2½
Cutler-Hammer, Inc	21	4¼	21½	11	20¾	17¼	17¼	..
D								
Deere & Co	49	5¾	34⅛	10⅛	31	24½	25½	..
Diamond Match	29½	17½	28½	21	29¾	26½	27⅞	*1½
Dome Mines	39½	12	46¼	32	41¼	34⅛	39	*3½
Douglas Aircraft	18¼	10¼	28½	14¼	24¾	18½	19⅛	..
Du Pont de Nemours	96⅜	32⅛	103⅞	80	99½	89⅝	91⅜	2.60
E								
Eastman Kodak Co	89¾	46	116½	79	123⅛	110½	118	5
Electric Auto Lite	27½	10	31⅜	15	29	20¾	21½	..
Elec. Power & Light	15⅜	3⅛	9⅝	2¼	3	1½	1⅝	..
Electric Storage Battery	54	21	52	34	49½	42¾	43¼	3¼
Endicott Johnson Corp	62⅞	26	63	45	60¼	58¾	60¼	3
F								
Fairbanks, Morse & Co	11¼	2½	18¾	7	24½	17	21½	..
Firestone Tire & Rubber	31½	9⅛	25¼	13⅛	18⅛	14½	15	.40
First National Stores	70¾	43	69¼	53	56	47½	48½	2½
Foster Wheeler Corp	23	4½	22	8½	17½	11½	11½	..
Fox Film, Cl. A	19	12	17½	8¼	13½	9	9⅛	..
Freeport Texas Co	49⅜	16⅛	50⅜	21½	26	20	20½	1
G								
General Amer. Transpt	43¼	13¾	43⅝	30	38¼	34	34	1¾
General Baking	20⅞	10½	14⅜	6½	9¼	7¾	8	.60
General Electric	30¼	10½	25¼	16⅞	25¼	20½	22⅜	.60
General Foods	39⅞	21	36⅞	28	35½	32¾	33¾	1.80
General Mills	71	35½	64½	51	65¼	59⅞	63	3
General Motors Corp	35¾	10	42	24⅝	34¼	28	28¼	1
General Railway Signal	49½	13¼	45¾	23½	30	18	19½	1
General Refractories	19¾	2½	23⅜	10⅛	20¼	16¾	17¼	..
Gillette Safety Razor	20¼	7⅝	14⅞	8½	15⅛	13⅛	13⅜	1
Glidden & Co	20	3¾	28⅜	15⅝	27⅞	23⅜	25⅛	*1.30
Gold Dust Corp	27⅜	12	23	16	18	15¾	16⅞	1.20
Goodrich Co. (B. F.)	21½	3	18	8	11⅞	8½	8⅝	..
Goodyear Tire & Rubber	47½	9¼	41⅜	18½	26⅞	18¾	19¾	..
Great Western Sugar	41⅞	7	35¼	25	31⅞	26⅝	30	2.40
H								
Hercules Powder Co	68⅝	15	81⅝	59	77⅝	73⅛	73⅛	*3¾
Hershey Chocolate	72	35⅛	73¾	48½	81¾	73½	76⅞	3
Homestake Mining	373	145	430⅛	310	391⅛	338	378	*36
Hudson Motor Car	16⅜	3	24½	6⅛	12¾	8⅛	8¾	..
Hupp Motor Car	7¾	1⅝	7¼	1⅞	3⅞	2	2	..
I								
Industrial Rayon	....	....	32¼	19⅜	33	28¼	28⅝	1.68
Ingersoll-Rand	78	19⅛	73¾	49½	70⅛	64	64	2
Inter. Business Machines	153¼	75¾	164	131	161½	149¼	157	6
Inter. Cement	40	6⅛	37¾	18⅜	33	25½	25½	1
Inter. Harvester	46	13⅝	46⅞	23¼	43⅞	36¼	38	60
Inter. Nickel	23¼	6¾	29¼	21	24½	22¼	22¾	.60
Inter. Tel. & Tel.	21¾	5⅛	17¾	7½	9⅞	6¾	7	..
J								
Johns-Manville	63½	12¼	66⅜	39	57⅜	41¼	42¼	..
K								
Kelvinator	15⅝	3⅛	21¼	11⅝	18¼	15½	15⅞	*.70
Kennecott Copper	26	7⅜	23⅛	16	18⅜	15	15⅛	.60
Kroger Grocery & Baking	35⅝	14½	33⅝	23¼	28¾	23¼	23⅜	1.60
L								
Lambert Co	41⅛	19⅜	31¾	22¼	28½	26¾	27⅝	3
Lehman Corp	79⅜	37½	78	68¼	74¾	69	69	*2.65
Libbey-Owens-Ford	37⅜	4¾	43⅞	22½	32¾	25⅜	25½	1.20
Liggett & Myers Tob. B	99⅜	49¼	111¼	74½	109½	102	104⅛	*5
Loew's, Inc	36½	8½	37	20⅜	36⅞	31¼	34⅞	2
Loose-Wiles Biscuit	44¾	19¼	44¾	33¼	36¼	34¼	34¼	2
Lorillard	25¼	10⅜	22½	15¾	21⅜	19	19⅞	*2.20

The Bell Telephone Company of Canada

NOTICE OF DIVIDEND

A Dividend of one and one-half per cent (1.50%) has been declared payable on the 15th of April, 1935, to shareholders of record at the close of business on the 23rd of March, 1935.

F. G. WEBBER, Secretary.

Montreal, February 27, 1935.

ALLIED CHEMICAL & DYE CORPORATION

61 Broadway, New York

February 26, 1935.

Allied Chemical & Dye Corporation has declared quarterly dividend No. 57 of one and three-quarters per cent (1¾%) on the Preferred Stock of the Company, payable April 1, 1935, to preferred stockholders of record at the close of business March 11, 1935.

W. C. KING, *Secretary.*

Dividends and Interest

GENERAL MILLS, INC.

27th Consecutive

Preferred Stock Dividend

February 26, 1935

Directors of General Mills, Inc., announce the declaration of the regular quarterly dividend of $1.50, which is the 27th consecutive dividend, per share upon the preferred stock of the company payable April 1, 1935, to all preferred stockholders of record at the close of business March 14, 1935. Checks will be mailed. Transfer books will not be closed.

(Signed) KARL E. HUMPHREY,
Treasurer.

WILSON & CO., INC.

Preferred and Common Stock Dividends

The Board of Directors of Wilson & Co., Inc., meat packers, a Delaware corporation, has declared a dividend of One Dollar and Fifty Cents ($1.50) per share on its Preferred Stock for the period from February 1, 1935, to April 30, 1935, payable May 1, 1935, to holders of record at the close of business April 15, 1935. At the same meeting the Directors also declared a dividend of Twelve and One-Half Cents (12½c) per share on its Common Stock, payable June 1, 1935, to holders of record at the close of business May 15, 1935. Checks will be mailed.

Dated: Chicago, February 26, 1935.

GEO. D. HOPKINS, Secretary.

Endicott Johnson Corporation

Dividend No. 64

The Board of Directors has declared a quarterly Preferred Dividend of One Dollar Seventy Five Cents ($1.75) per share, and a Common Dividend of Seventy Five Cents ($.75) per share, payable April 1, 1935 to stockholders of record as at the close of business March 18, 1935.

Checks will be mailed by Irving Trust Company, Dividend Disbursing Agent.

MAURICE E. PAGE, Secretary.

March 4, 1935.

Chrysler Corporation

• DIVIDEND ON COMMON STOCK •

A regular quarterly dividend, for the first quarter of 1935, of twenty-five cents ($.25) per share, on the Common Stock, has been declared, payable March 30, 1935, to stockholders of record at the close of business March 9, 1935.

B. E. Hutchinson, *Vice President and Treasurer*

To Presidents:—

Create Investor Confidence by Advertising the Fact That You Pay Dividends Regularly!

New York Stock Exchange Price Range of Active Stocks

Industrials and Miscellaneous *(Continued)*

	1933		1934		1935		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	3/6/35	Share
M								
Mack Truck, Inc	46⅜	13½	41¾	22	28⅛	22⅛	22¼	1
Macy (R. H.)	65¾	24¼	62⅛	35¼	44¼	36¼	36½	2
Mathieson Alkali	46⅝	14	40¾	23½	32	25¾	25¾	1½
May Dept. Stores	33	9¾	45¾	30	44	38¼	38¼	1.60
McIntyre, Porcupine	48⅜	18	50½	30½	45⅝	36⅝	42½	2
Mesta Machine Co	21	7	34¾	20⅛	32	24⅛	30	1½
Monsanto Chemical	83	25	96½	39	60½	55	58¾	1
Mont. Ward & Co	28⅞	8⅝	35⅝	20	30½	23¼	23¾	..
N								
Nash Motor Co	27	11⅛	32¼	12⅝	19½	12½	13	1
National Biscuit	60⅝	31½	49½	25⅞	30¼	25⅜	25½	2
National Cash Register	23⅝	5⅛	23⅝	12	18⅜	14¾	14¾	.50
National Dairy Prod	25¾	10½	18¾	13	17⅛	15½	16¼	1.20
National Distillers	35¼	20⅞	31⅝	16	29¼	24¾	25⅞	.50
National Power & Light	20½	6⅞	15½	6⅝	7⅝	5	5¼	.80
National Steel	55⅛	15	58¼	34½	50½	43	43	*1⅛
N. Y. Air Brake	23½	6⅛	28¾	11½	28¼	21½	21½	..
Noranda Mines	38⅞	17⅜	45⅞	30¼	36⅜	30¾	33¼	†2
North American Co	36½	12½	25¼	10¼	13½	10⅛	10¼	1
O								
Otis Elevator	25¼	10⅛	19⅜	12½	15⅝	13	13	.60
Owens Ill. Glass	96¾	31½	94	60	90¾	83⅞	88½	4
P								
Pacific Gas & Electric	31⅞	15	23½	12⅜	14⅝	13⅛	13¼	1½
Pacific Lighting	43⅜	22	37	20¾	23¾	20⅝	21½	3
Packard Motor Car	6⅞	1¾	6⅝	2¾	5⅞	3⅞	3⅞	..
Paramount Publix	2½	⅛	5⅞	1¾	4¼	3	3⅛	..
Penney (J. C.)	56	19¼	74¼	51½	74	64½	65½	†1.40
Penick & Ford	60¾	25½	67	44⅝	70	64½	67	3
Phelps Dodge Corp	18⅞	4½	18⅞	13¼	66¼	13¾	14½	†.75
Phillips Petroleum	18¾	4¾	20¾	13⅜	16	14¼	14½	1
Pillsbury Flour Mills	22½	9½	34¾	18½	33½	31½	31½	1.60
Procter & Gamble	47½	19⅝	44⅜	33⅛	49⅝	42⅜	48¼	1½
Public Service of N. J.	57⅛	32⅝	45	25	27¼	20⅜	20¾	2.80
Pullman, Inc.	58⅛	18	59⅜	35¼	52⅞	43⅝	45	3
R								
Radio Corp. of America	12¼	3	9⅛	4½	5⅞	4½	4½	..
Radio-Keith-Orpheum	5¾	1	4¼	1½	2⅝	1½	1½	..
Raybestos-Manhattan	20⅝	5	23	14½	21	18	18	1
Remington Rand	11¼	2½	13⅜	6	11¼	8⅝	8⅝	..
Republic Steel	23	4	25¾	10½	15½	10⅛	10¾	..
Reynolds (R. J.) Tob. Cl. B	54¼	26½	53¾	39¾	51⅝	46½	47⅜	3
S								
Safeway Stores	62⅜	28	57	38¼	46	38½	39	3
Schenley Distillers	47	22	38⅞	17⅛	28½	23¼	23⅝	..
Sears, Roebuck & Co	47	12½	51¼	31	40½	31⅜	32½	..
Servel, Inc	7½	1½	9	4⅜	9⅜	7¾	8	..
Shattuck (F. G.)	13¼	5¾	13⅞	6¾	9⅛	7⅝	7⅝	.25
Shell Union Oil	11⅝	4	11½	6	7⅞	6⅛	6⅛	..
Socony-Vacuum Corp	17	6	19⅞	12½	14⅞	12¼	12¼	.60
So. Cal. Edison	28	14⅛	22⅛	10⅛	12¾	11⅛	11¼	1½
Spiegel May Sterm Co	21½	1	76¾	64	79½	60	61	..
Standard Brands	37⅝	13¾	25¼	17¼	19⅛	16¼	16⅜	1
Standard Oil of Calif	45	19½	42⅞	26½	32⅜	29⅛	29⅛	1
Standard Oil of Ind	....	....	32¾	23¼	25⅛	23¾	24⅜	1
Standard Oil of N. J.	47½	22¾	50⅛	39¼	43½	37⅝	38	*1¼
Sterling Products	63	45¾	66½	47¼	64⅜	58¾	63¼	3.80
Stewart-Warner	11½	2½	10⅝	4½	9¼	6⅝	6⅞	..
Stone & Webster	19¼	5½	13¼	3⅞	5	2⅝	3	..
Sun Oil Co	59	35	74¼	51½	68½	64¾	64¾	1
T								
Texas Corp	30⅛	10¾	29⅜	19⅝	21⅝	18¾	18¾	1
Texas Gulf Sulphur	45¼	15¼	43¼	30	36¾	31	31⅜	2
Tide Water Assoc. Oil	11¾	3⅛	14⅜	8	10	8¼	8¼	..
Timken Roller Bearing	35½	13¾	41	24	36¾	29½	30	1
Trico Products	38⅞	20⅛	42½	33	42½	36	40	2½
Tri-Continental Corp	8¾	2¾	6¾	3	3¾	2⅝	2⅝	..
U								
Underwood-Elliott-Fisher	39½	9¼	58⅞	36	61½	55½	55½	2
Union Carbide & Carbon	51⅞	19¾	50⅞	35⅞	53¼	46	50⅝	2.40
Union Oil of Cal	23⅜	8½	20½	11½	16⅝	14¾	15¾	1
United Aircraft	....	....	15¼	8⅛	15⅛	10½	10⅞	..
United Carbon	38	10¼	50⅜	35	53¼	46	50⅝	2.40
United Corp	14½	4	8⅞	2⅛	3	1½	1¾	..
United Corp. Pfd	40⅞	22⅛	37⅞	21¼	29⅜	21⅜	22	..
United Fruit	68	23¼	77	59	81½	71⅝	79	3
United Gas Imp	25	13⅞	20⅛	11½	12⅞	9⅜	9⅞	1
U. S. Gypsum Co	53½	18	51¼	34¼	53⅛	41	41	1
U. S. Industrial Alcohol	94	13½	64¾	32	45⅛	36¼	38	2
U. S. Pipe & Fdy	22⅛	6⅛	33	15½	22	16⅝	16⅝	.50
U. S. Rubber	25	2⅞	24	11	17¼	12⅛	12⅝	..
U. S. Smelting, Ref. & Mining	105⅝	13½	141	96⅝	124¼	106½	117	†9
U. S. Steel Corp.	67½	23⅜	59⅞	29⅜	40⅛	29⅞	30½	..
U. S. Steel Pfd.	105½	53	99½	67¼	94	78¾	81	2
V								
Vanadium Corp	36¼	7⅝	31¾	14	21¾	15	15⅛	..
W								
Warner Brothers Pictures	9⅛	1	8¼	2¾	4⅝	2⅞	3	..
Western Union Tel	77¼	17¼	66⅞	29½	34¾	23	23½	..
Westinghouse Air Brake	35⅝	11¾	36	15⅞	27	19½	19½	.50
Westinghouse Elec. & Mfg	58¾	19⅜	47¼	27⅞	41	34¾	36⅜	..
Woolworth Co. (F. W.)	50⅞	25⅛	55¼	41¼	55⅞	51	54	2.40
Worthington Pump & Mach	39⅞	8	31⅞	13½	21½	14⅜	15	..
Wrigley (Wm., Jr.)	57¼	34½	76	54½	79½	75	76½	*3½

§ Payable in stock. * Including extra. † Paid last year. ‡ Paid this year.

Answers to Inquiries

(Continued from page 638)

old of its seasonal period of highest consumption and with illegal production understood to have shown a decided decline during recent weeks, the earnings outlook for the Ohio Oil Co. would seem most promising. With a strong financial condition and conservative capitalization, therefore, the company's common stock is believed to offer definite speculative appeal around current reasonable quotations.

CONGOLEUM-NAIRN, INC.

What are your views on Congoleum-Nairn for the months ahead? Do you think it can maintain its current market prices? Would you advise me to hold or sell 200 shares averaging 19⅞?—W. F. P., Portland, Me.

As the leading producer of hard surfaced floor coverings, Congoleum-Nairn, Inc., benefited substantially during the past two years from the more liberal spending policy of the average householder. After having equalled only 50 cents a share on the common stock in 1932, earnings rose sharply in 1933, when the equivalent of $1.66 a common share was recorded. Further progress was made in 1934, with per share earnings on the common stock of $1.71 being the highest recorded in any year since 1924. It should be recognized, however, that the earnings growth enjoyed during the past two years was not due entirely to the improvement which occurred in the general business situation. The management has long been active in the development of good-will through well-directed advertising expenditures, while numerous operating economies have been instituted during recent years. Moreover, all funded debt and preferred stock was retired early last year, leaving the common stock with sole claim on earnings. The financial condition of the company continues to be featured by a considerable excess of current assets over current liabilities; as at December 31, last, current assets of $14,643,350, including cash and equivalent alone of $8,015,886, compared with current liabilities of $715,342. It has been the policy of the management during recent years to distribute substantially all net income to stockholders. Since earnings are expected to record further betterment during the current year, continuance of a liberal dividend policy is indicated. As the demand for income-producing equities of the subject type will likely

MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow, Jones Avgs. 30 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Monday, February 25	82.32	103.14	31.26	84.61	83.77	744,200
Tuesday, February 26	81.71	102.24	30.14	84.59	83.26	946,388
Wednesday, February 27	81.84	102.55	30.63	83.86	82.56	933,520
Thursday, February 28	81.93	102.38	30.37	84.11	83.39	573,640
Friday, March 1	81.96	103.27	31.10	84.19	83.23	637,462
Saturday, March 2	82.03	103.22	30.91	84.17	83.82	279,480
Monday, March 4	81.91	102.58	30.52	83.85	83.27	422,030
Tuesday, March 5	81.57	100.09	29.24	83.05	81.29	899,350
Wednesday, March 6	81.32	100.22	28.91	82.78	80.43	1,285,947
Thursday, March 7	81.16	101.17	29.07	82.42	81.39	536,603
Friday, March 8	81.21	101.58	28.95	82.94	82.09	443,463
Saturday, March 9	81.19	101.18	28.56	82.28	81.82	288,090

increase rather than diminish over early future months, at least, we counsel further retention of your holdings.

FIRST NATIONAL STORES, INC.

Please give me your views on First National Stores—particularly in view of the decline in profits for the last 1934 quarter. Do you think this the result of the "price war" now raging? Do you advise holding 150 shares averaging 42½?—J. M. U., Little Rock, Ark.

There is no doubt but that the decline in earnings of First National Stores, Inc., in the last quarter of 1934 was caused primarily by the drastic price war existing in New England, between this company and certain of its competitors. However, even in that period, net earnings, after deducting proportionate dividend requirements on the preferred, amounted to 72 cents a share on the common. This was more than sufficient to cover common dividend requirements for the interval. First National has passed through many such price wars in the past and has always emerged unscathed and there is every reason to believe that the present situation will prove no exception to the rule. The company is the fourth largest retail grocery chain system in the United States. The major portion of its more than 2,600 stores is located in the densely populated states of New England. Capitalization of the company, since the calling of 50% of its preferred stock last year, consists of 25,000 shares of $7 preferred stock and 815,267 common shares. Net profit for the nine months to December 29, 1934, amounted to $2,719,852 equivalent, after preferred dividend requirements, to $3.07 a share on the common stock. This compared with $3,287,262 or $3.72 on the common shares for the like period of 1933. Although earnings for the current fiscal year to end March 31, next, are likely to be somewhat below the $4.97 shown in the corresponding previous term, the common dividend is still expected to be covered by a wide margin. First National has consistently shown net profits of better than 4 cents a dollar of sales. This considerably exceeds the average of its larger competitors. Present quotations for the shares appear to fully discount the unfavorable factors in the situation and we would advise retention of your holdings for income as well as appreciation over the longer term.

MAY DEPARTMENT STORES CO.

In line with your recent article, "What's Wrong with the Merchandising Stocks," I would appreciate your comment on May Department Stores. What do you think of its speculative and investment outlook? Do you advise holding or selling?—D. N. O., St. Louis, Mo.

The stores operated by May Department Stores Co. are modern in every respect, and the merchandise handled appeals particularly to the more stable class of buyer—the medium class. During the past few years, many conveniences for customers have been added, such as garages for parking, beauty parlors, restaurants and nurseries. Six large stores are well located in the cities of Akron, Baltimore, Cleveland, Denver, Los Angeles and St. Louis. Although each store is individually managed, economies are effected through the centralization of all purchasing. Net profits for the fiscal year ended January 31, 1934, the latest available at this writing, amounted to $2,905,366, equivalent to $2.36 a share on the capital stock, against a profit of $948,433 or 77 cents a share, for the year 1933. Department stores generally have been as hard hit as any in the merchandising field by the N R A and its codes; in many cases, substantial increases in gross revenues were entirely consumed by higher operating costs. Nevertheless, it is estimated, on the basis of increased sales reported, that net of May Department Stores for the fiscal year ended January 31, last, exceeded that for the previous year by a good margin. The capitalization of the company consists solely of 1,230,423 shares of capital stock, on which annual dividends of $1.60 are being paid. A strong financial condition and improvement in earnings portend the probability of larger disbursements in the current year. Thus, we see no need to disturb present holdings of the stock and counsel its retention both for income and price enhancement.

AMERICAN METAL CO., LTD.

I have 100 shares of American Metal common stock averaging 23¼. I had thought to hold it on inflationary prospects—but since it is selling so far below 1934 highs I wonder if I am justified in this course.—P. T., Los Angeles, Calif.

After reversing the unfavorable earnings trend of 1931 and 1932, American Metal Co., Ltd., reported a moderate profit in 1933. However, weakness in the price structure for copper in foreign markets last year resulted in a net loss of $232,485. The activities of the company embrace all phases of the mining industry, but the principal source of income is from the smelting and refining of copper. The company also owns or controls numerous producing concerns in the United States, Mexico and Africa. A 54% interest in Rhodesian Selection Trust, which controls Mufulira Copper Mines and a 36% interest in Roan Antelope Copper Mines, are a source of substantial supplies of high grade, low cost copper. The balance sheet as of December 31, last, revealed total current assets of $19,195,945, including cash of $4,304,561, and current liabilities of $3,378,041. Current liabilities did not include notes payable to banks of $6,500,000, due March 20, 1935, but which may be extended at the option of the company to March 20, 1936. As substantial inventories have been built up by the majority of foreign producers of copper, a sustained, stable price level for the metal will be necessary to assure a return of more normal earning power. At the present time, an international copper conference is in session from which, it is hoped, some satisfactory plan for improving the price structure of the metal will emanate. While American Metal common is obviously highly speculative in character, the probability of gradual improvement in the foreign copper situation would seem to justify continued retention of your holdings at present low quotations. In addition, the company's large stake outside of the United States provides a degree of protection against possible inflationary developments.

CONTINENTAL CAN CO.

I have enjoyed generous appreciation on my 50 shares of Continental Can. I feel, however, that this stock might be selling out of line with present and prospective earnings, and I would like your advice on the advisability of holding or selling now.—T. C., Savannah, Ga.

The remarkable growth of Continental Can Co., reflects in no small measure the progressive and yet conservative policies of the management. In the years immediately preceding the depression the company acquired numerious going concerns and, for the most part, financed such purchases through the issuance of additional common stock rather than through the creation of debt. Due largely to this policy, earnings throughout the years of depression were comparatively satisfactory, dividends being paid each year on the capital stock. The company is the second largest manufacturer of tin containers in the United States, approximately 70% of its output consisting of packers' tins used principally for packing perishable foods, such as fruits and vegetables. The balance of output supplies the demand for general line cans used for oil, paint and varnish, chemicals, etc. The latter line has shown great expansion with the improvement in economic conditions. In the past few years, many of the leading oil companies have

been selling motor oil in non-refillable cans supplied by Continental under contract. 1934 was a banner year for the company, the net income of $10,707,122 being the highest in its history. The previous high of $8,967,-702 was established in 1929. On a per share basis, last year's profits amounted to $4.02 on the 2,665,191 shares of capital stock outstanding at the close of the year, after allowing for the 50% stock dividend paid last October. This compared with $4.31 a share on the 1,750,934 shares outstanding in the previous year. Since large inventories are normally carried, the recent weakness in tin quotations cannot be regarded as a favorable development. On the other hand, the outlook for further improvement in the demand for general line cans, as well as the sustained demand indicated from its major outlet, the packing industry, justifies a constructive attitude toward the market outlook for the stock. Accordingly, we would advise retention of your present holdings.

AMERICAN SNUFF CO

As an investor partially dependent on American Snuff Co. common for income, I would like to know what action you recommend, if any, in face of the decline in profits shown for 1934?—A. V., Detroit, Mich.

The American Snuff Co. occupies a thoroughly entrenched position in the snuff industry, its production accounting for approximately 25% of the country's total output. Earnings have fluctuated but little over the past fifteen years, having ranged between $3.19 and $4.45 per share on the present capitalization. Even in the generally unsatisfactory year, 1932, American Snuff was able to report earnings on its common stock of $3.59 a share. Since its leading brands are marketed principally in the Southern states, higher commodity prices and the consequent improved consumer purchasing power in the territory have aided sales. Unlike the vast majority of industrial organizations, labor costs are modest. The demonstrated earnings stability of the company is due in no small measure to its conservative capitalization. There are only 39,528 shares of 6% preferred stock with a par value of $100 preceding the 440,000 shares of common stock. Financial condition of the enterprise is excellent. As of December 31, 1934, current assets of $10,319,023, including cash alone of $2,313,867, compared with current indebtedness of only $947,924. While higher tobacco costs may reduce profit margins over early future months, the company, in the past, has successfully met variations in the value and replacement cost of its inventories. We feel, therefore, that the current year returns will remain in excess of dividend requirements on the common stock. Even should earnings temporarily drop moderately below the regular annual requirement of $3 per share, the liquid financial status of the organization would seem to assure continuance of that rate for an extended period. Since you are apparently interested chiefly in income, therefore, we can see no need to disturb your position in the common stock at this time.

With Our Readers

(*Continued from page* 597)

Senator Barbour, on the other hand, apparently realizes this very clearly for he consistently refers to the banking system in the proposed Federal Reserve legislation as a "political Central Bank." Moreover, I think that he is near the truth in his implied assumption that the money supply has not so much to do with the country's recovery as his opponent would have us believe.

I wish that more people could be brought to see the truth of his statement, "The tragedy of all schemes for flooding the country with cheap money is that the worst sufferers in the end are the great majority of the people."—C. M. L., Brooklyn, N. Y.

New Forces Dominate the Market

(*Continued from page* 605)

with some to spare—such issues as Beech-Nut, Bon Ami, American Chicle, Cream of Wheat, American Snuff and the other snuff companies, General Mills, Parke Davis. For the true investor they are ideal; if they fail to show him the profits which might have been obtained from a different class of issue in the event of a rapid upturn in general business, he has at least a corresponding protection against loss in the event that business develops less favorably—and in the meantime always some return on his capital.

Apart from such purchases as might be made in the light of what has just been said, the clearly defined uncertainties, both business and political, of the near future dictate a market policy of considerable caution. To buy now for a turn in expectation that business will gain ground in the second quarter, or that the chaotic situation in Washington is about to be settled is to go against the weight of evidence. On the other hand, the threat of ultimate inflation, in view of the continued governmental spending, the President's statement of the other day relative to the dollar and the debt burden, together with the employment of the gold "profit" in retiring Federal obligations, has lessened no whit. While to the average man common stocks are no sure protection against inflation, he is logically justified in holding them for the long-term.

Where Is the Money Coming From?

(*Continued from page* 615)

are currently running is going to be a very painful business.

Even at the moment the proposed increases in taxation, together with those that actually have taken place, have weighed painfully upon business and securities, particularly common stocks. But what has been seen so far will be nothing compared with what would be seen if we really went out after a balanced budget.

Suppose we decide that this is too hard a row to hoe; then, the Federal deficit threatens inflation. Mr. Richberg, of course, gives his assurance that there is to be no inflation for at least six years. But even admitting that such a guarantee has any validity whatsoever, Mr. Richberg conveniently neglects to define his use of the word "inflation." He possibly meant "printing-press" money; if he did, he's probably right. It is inconceivable that any administration would contemplate voluntary fiat inflation. But so far as the practical aspects of inflation are concerned (soaring prices to the detriment of wage and salary workers and semi-ruination for those of moderate means living on the fixed income from securities) we have laid the groundwork for a very fair show without resorting to the presses. The potentialities for credit inflation are enormous.

Omitting the flourishes, this is the way the thing works: the Government's deficit finds its way into the bank deposits of contractors, merchants, farmers and the personal accounts of a vast bureaucracy. If the banks then use their original deposits to buy the bonds which the Government sold to finance the deficit, it will be seen that the banks still owe their original customers and also the new customers—the contractors, merchants, etc. In other words, there will result a vast increase in deposits. Last year, deposits in the member banks of the Federal Reserve sys-

tem increased $6,700,000,000. Taking out governmental deposits, etc., it is officially estimated that "local" deposits rose four billions of dollars. This is the money the people use, not currency. And if they ever start using it, that it would have the ordinary, common effect of inflation would be unquestionable. Moreover, once started, it would be very hard to stop and, Mr. Richberg to the contrary, could easily develop into out-and-out printing press inflation.

To listen to some, one would think that a country can go on an inflation spree (so long as it is "credit" inflation) without paying for it. But one can't; payment is always exacted in the long run. During the upward surge of prices, it is the wage earner and those living on small unearned incomes that are hurt worst, for they can buy so much fewer goods of all kinds; later business in general begins to feel the effects of curtailed buying power and still higher prices is the easiest remedy; and then, as, when, and if, the Government decides to stop prior to complete disaster, the essential increase in taxation means that everyone is paying for the errors of the past.

There has been a good deal of loose talk along the lines of "do this and avoid the effects of inflation." It is obvious, however, that if inflation is something that must be paid for, only a very small lucky minority can hope to escape the levy. Holders of cash, bonds, mortgages or any other instruments evidencing a fixed money debt are bound to be assessed by a loss of purchasing power. On the other hand, it by no means follows that holders of common stocks and real estate will escape; a few may, but the majority will not. Nevertheless, aside from exercising the franchise to the end that there will be no inflation at all, the purchase of tangible property, including common stocks, probably is as good a course as can be found.

America's Stake in South America

(*Continued from page* 621)

however, Colombian issues may be regarded as reasonably interesting, but there would be no justification for acquiring issues of this type unless the yield compares favorably with the return on other foreign issues of at least equal quality.

Despite the fact that the United States absorbs almost 90% of Colombia's shipments of coffee abroad, resulting in a very substantial balance of trade in favor of Colombia, the latter has seen fit to disregard the rights and privileges of American creditors. All departmental and municipal obligations as well as government guaranteed bonds floated in the United States are in complete default, while interest on Colombian Government bonds is payable in 4% funding bonds.

Whether the proposed treaty between the United States and Colombia will result, as did a similar treaty with Cuba, in conferring valuable privileges upon our southern neighbor, without receiving consideration in return for such favors, is something that cannot be determined at this moment. However, if American bondholders will enjoy the dubious benefit of that kind of representation which has characterized similar arrangements in the past, one cannot look forward to a revision for the better of Colombia's present debt plan.

To investors in the United States, Ecuador is little more than a name. No bonds sold by its government are listed on the New York Stock Exchange or Curb, and few brokers now trading "over the counter" have handled "Salt," "Condores" or Guayaquil & Quito R. R. bonds.

Yet, strange to say, Ecuador's entire foreign debt, contracted prior to 1927, originated from endorsement by the government of the obligations of an American corporation. Although all securities issued have their market in London, they are dollar bonds.

Outstanding foreign funded debt dates from 1897, when Archer Harman, representative of an American syndicate, contracted to finance and build a railroad from Guayaquil to Quito. The concern was incorporated in the U. S. A. and sold in London $12,282,000 6% bonds guaranteed by the Ecuadorean government.

The line was duly built and constitutes a most spectacular feat of engineering, but the railroad has had a checkered life and has never been able to pay the service on its bonds. This duty has therefore fallen to the lot of the government, which has not always been equipped to meet the obligation.

In order to remove this distressing disability, largely due to an unaccountable disinclination on the part of foreign traders to accept the sucre at its par value in payment for imported goods, the government resolved to consult the great American wizard economist, who had unloosened streams of American dollars to Colombia, Bolivia, and Chile.

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By an interesting and instructive coincidence, a professor's prescription of a specific for Ecuador's infirmities was the creation of a bank. This institution was financed by an issue of 10,000,000 sucres ($2,000,000) 8% bonds at 88, the service on which was to be paid by Ivar Kreuger in exchange for a match monopoly. In 1931 the monopoly was canceled, and service of the debt accepted as a government obligation which like the remainder of the country's debt is in complete default.

Never out of debt since its foundation as an independent republic about a hundred years ago, Ecuador has not received one dollar to spend on bull fight arenas, submarines, tanks or other amenities, and was evidently dissatisfied with the effects of the professor's recommendations.

Peru's total foreign debt, held almost entirely by American investors, are in complete default. The outlook for an early adjustment is anything but promising. Even if Peru's principal products—cotton, silver, copper, oil, and vanadium, were to advance very materially in price, and even if the advance could be maintained, the service on the nation's engagements is not likely to be resumed in accordance with the terms of original loan agreements. That the investment of capital grew at too rapid a pace is evident from the fact that America's stake in Peru approximated $224,500,000, or almost 6½ times the pre-war figures.

One point in favor of Peru is the fact that the republic has always endeavored to treat her creditors fairly and even after the disastrous war of the '80s when Chile seized the Department of Tarapacá and with it more than a billion dollars worth of minerals, the government readily offered its entire supply of minerals and guano deposits to the bondholders rather than to plead poverty as an excuse for debt repudiation. It was doubtless this commendable sense of responsibility which prompted the Peruvian Government to engage from time to time the services of North American celebrities who might be expected to enjoy friendly relations with bankers in New York from whence emanated such ample supplies of gold credits to the neighboring republics in the course of the '20s.

Political disturbances in Uruguay will doubtless adversely affect quotations of existing Uruguayan loans, notably those outstanding in the American market. Such influence, however, is likely to prove only of a transitory nature, since the republic is confidently expected to continue the service on dollar debts at least in accordance with the terms at present in force, that is, 3½% per annum, regardless of the face amount of coupons. If bonds react to between 30 and 35, they should

be regarded as interesting commitments.

Although Uruguay has on more than one occasion in the past defaulted in one form or another on its contractual obligations, direct and guaranteed, her credit was held in high esteem for a number of years. This was especially true in the United States, as illustrated by the relative ease with which she obtained financial accommodations in the American market. However, those who were inquisitive enough to study the nation's past fiscal record doubtless discovered that its past performance did not entirely warrant the credit standing it enjoyed.

It is rather curious to find that Uruguay's first loan in the American market synchronized with her default in regard to sinking fund payments, which apparently did not deter American bankers from calling upon our investing public to take up Uruguayan issues and which may, to some extent, account for the indifference on the part of Uruguay towards her foreign, including American, creditors.

Who Owns the Country's Leading Enterprises?

(*Continued from page* 613)

Electric distributed to its common stockholders 4,807,321 shares of the 5,188,755 shares of Radio common which it had received, in 1933. Westinghouse, at about the same time, distributed substantially one-half of its holdings of Radio stock to its shareholders. Westinghouse had held, under the agreement, 2,842,950 shares of Radio common stock.

The Radio case was perhaps one of the most drastic instances in recent years of corporations being compelled to divest themselves of controlling interest or of working control in other companies. Changes of ownership of stock in such large blocks, do not occur very often nor so quickly in these days, for the reason that corporations are more careful to inquire into the possibilities of large stock acquisitions being in violation of the anti-trust laws. By far the great majority of shifts in stock ownership come through the sale or purchase of shares by individuals.

One looks in vain in these modern days to find the monopolistic ownership of stocks in any big company, that characterized it or similar companies away back when the voice of the politician was first raised in loud denunciation of the iniquitous trust. One is surprised to find that the reputed bosses and dictators of the big corporations usually own only a minority interest in these companies. Even the Rockefeller interests in the big Standard Oil companies are far from majority interests.

In the chain store group Samuel H. Kress, chairman of the chain store company that bears his name, is one exception, since he owns 680,232 shares of common stock out of a total outstanding of 1,178,787 shares. These holdings were valued, at the latest report, at the tidy sum of nearly $44,000,000. Mr. Kress also owned, according to the report, 301,813 shares of the special preferred, which was not quite half of the number issued.

S. S. Kresge, of the Kresge chain of stores, although the ruling factor in his company, owns only 1,285,984 shares of stock out of an issue of 5,517,930. This stock was worth to Mr. Kresge, at the latest report, nearly $30,000,000.

Percy L. Straus, who has been so active in the affairs of R. H. Macy & Co., the country's leading department store, although undoubtedly adding to his earlier holdings of stock, owns only 251,435 shares of the company's stock out of a total of 1,499,813 shares.

William Wrigley, Jr., now deceased, whose activities did more to add strength to the great American jaw than those of perhaps any other one man, when he built up the great gum manufacturing company, owned less than a majority of the stock in his concern, and his son, P. K. Wrigley, now the president of the company, and the heir of his father, reported that he held, at the close of 1934, 119,682 shares of the company's stock, or less than one-tenth of the entire issue.

One of the stock sensations of 1933 and 1934 was Spiegel-May-Stern Co., Inc., which rose from $1 a share on the New York Stock Exchange to around $80, on tremendously increased business. Yet M. J. Spiegel, chairman of the board, owns only 41,100 shares out of 175,000 shares of common that have been issued.

Reminiscently one may refer to the stock holdings of by-gone days, to the holdings of the great captains of industry, when industry was younger, and when expansion either through growth or acquisition was the besetting ambition of every one of these leaders, and wonder at the changes that have taken place. But he never will know accurately how great those changes have been, since, as already pointed out, the exact amount of ownership in the earlier days seldom was divulged. Then there was secrecy — today there is revelation. But if the New Deal is to be advanced, in the days that are to come, the financial chroniclers of the future will be much more able to answer the question: "Where are the stocks of yesteryear?" than can we of the present generation.

This revelation, as it should be, is enlightening, and it may serve a purpose better than that which was intended when the publicity rule was promulgated. It may check the resentment which is always directed against monopoly, when the public finds that the real owners of the great industries of the country are not the heads of the companies in those industries, but the millions of stockholders, scattered throughout the length and the breadth of the land, who have given of their money that business enterprise might thrive, and that they might profit in the thriving thereof.

It may serve to show that, after all, big business is only the growth of little business, and that, when properly conducted, under the control of stockholders, will redound to the benefit of all, instead of to the favored few.

Outlook Brightens for Machine and Tool Makers

(*Continued from page* 627)

at the rate of 37 cents a share on the company's stock.

Reflecting improved demand for its products, which consist chiefly of fine precision instruments for machinists and metal workers, the L. S. Starrett Co. showed larger sales for its fiscal year ended June 30, 1934, than it had in the previous year, and as a result turned a deficit of the previous year into a net income of $146,000, or 79 cents a share on the common stock. It had a strong financial position at the close of its fiscal year, with a net working capital of $2,329,000, and with cash alone of more than seven times all current liabilities. In December, 1934, as a result of continued favorable operations, dividends were resumed on the common stock, through a payment of 50 cents. This followed a lapse since December, 1931, when 20 cents was paid.

These companies, as mentioned are not, of course, all of the concerns that may profit by improvement in the machine and machine tool industries. Just as the rain falls on the just and the unjust alike, so blessings, whether showered from heaven or produced through the efforts of mere man, accrue to those who are in the favored spot to receive them.

The lane is long that turns not. The machine tool people have been through a long and arduous struggle. They suffered when business of all sorts fell off, as it is natural they should. When there is a recession in industry, those who manufacture for industry cannot be exempt from harm. And so the

New York Curb Exchange

ACTIVE ISSUES

Quotations as of Recent Date

Name and Dividend	1935 Price Range High	Low	Recent Price
Alum. Co. of Amer.	52	39	39
Amer. Cyanamid B (.40)	17⅞	15¾	16¼
Amer. Gas & Elec. (*1.20)	21⅛	16⅝	19
Amer. Lt. & Tr. (1.20)	10	7¾	7⅞
Amer. Superpower	1¾	¾	¾
Assoc. Gas Elec. "A"	½	5/16	5/16
Atlas Corp	9½	7⅝	7¾
Cities Service	1½	1	1
Cities Service Pfd	13¾	6⅛	7
Colum. G. & E. cv. Pfd. (5)	64	40	40
Commonwealth Edison (4)	56¼	47¼	55
Consol. Gas Balt. (3.60)	59⅞	52⅝	57½
Cord Corp. (†.25)	4⅜	2⅝	2¾
Crane Co	10⅞	8½	8½
Creole Petroleum	13⅜	10⅞	11
Distillers Cp. Seag	18⅞	15⅝	16⅜
Elec. Bond & Share	7⅝	4⅛	4¼
Elec. Bond & Share Pfd. (6)	52½	37½	44¼
Fisk Rubber	11¼	7¾	8⅞
Ford Mot. of Can. "A" (†1¼)	32⅛	27½	28½
Ford Motor, Ltd	9¼	7⅛	7¼

Name and Dividend	1935 Price Range High	Low	Recent Price
Glen Alden Coal (*1¼)	24	14¾	17¼
Great A. & P. Tea N.-V. (*7)	139	126	127½
Greyhound Corp	34¾	20½	33⅝
Gulf Oil of Pa.	60⅞	52¾	54¼
Hudson Bay M. & S.	13¼	11½	12¼
Humble Oil (1)	50¾	44	47¼
Imperial Oil (*.80)	17⅛	16⅛	16⅛
Lake Shore Mines (*4)	58	48	56¼
Mead-Johnson & Co. (*4)	63¾	60	62⅛
National Sugar Ref. (2)	35	31½	33¼
Niagara Hudson Pwr	3½	2⅞	3
Novadel-Agene (2)	22¾	20⅝	21¼
Pan-Amer. Airways (†1)	44¼	39½	41
Pepperel Mfg.	89½	69½	71⅜
Pitts. Pl. Glass (2)	58	47¼	49[illegible]
Sherwin-Williams (3)	90¼	84	88
Swift & Co. (*.75)	19⅝	16¼	17
Swift Int'l (2)	36	31	34⅜
United Founders	½	5/16	5/16
United Shoe Mach. (*4½)	77	70	76
Walker Hiram H. W.	32⅝	25⅝	28⅜

* Includes extras. † Paid last year.

machine business fell to low ebb, and profits, for the most part, vanished into nothingness. Now there comes a revival of hope, and this revival already seems to have passed the promissory stage, and to have entered the realm of actual results. That these results will be magnified during the coming year seems as assured as anything that lies in the future can be.

An Unadorned Picture of the Motor Industry

(Continued from page 619)

as fast as they can be sent off the assembly lines, to say nothing of the very gratifying export business that is being done, there seems little to cause concern in the near future so far as automobile volume is concerned. *But the concern over profit-margins has intensified rather than diminished.* As has been pointed out, previously, costs of labor and materials are up and the trend is still a rising one.

When Ford first published his 1935 prices a sigh of relief went up and everyone took the attitude that they "might have been a great deal worse." It has developed, however, that today's prices in the low-priced field leave pretty slim pickings even with large volume output and that it would not take much of a fall in demand to remove all the cream from the business.

As evidence of the intensifying competition, it might be noted that Plymouth has just introduced a new coupe and a new two-door coach, listing at $510 and $535, respectively. Previously, Plymouth had a coupe at $565 and a two-door model at $615: these are now to be made de luxe at $575 and $625. Ford, however, still continues under the lowest-priced Plymouth with a coupe listing at $495 and Tudor sedan at $510.

Meanwhile, Chevrolet has achieved rather a curious position: to coin a phrase, its competition with Ford is "oblique". Chevrolet dodges direct impact. Chevrolet has a Standard coupe listing at $475 and a Standard coach at $485. Yet, while these prices are slightly under Ford, the Standard Chevrolet is on a 107-inch wheelbase, against 112 for Ford. Such a difference in wheelbase alone, without consideration of other features, can hardly be said to make for direct competition.

On the other hand, the coupe of the Master Chevrolet which has a 112-inch wheelbase is priced at $560: the Master coach lists at $580. In other words, Ford is "more car" than the Standard Chevrolet and is considerably cheaper than the Master Chevrolet.

So far as the Chevrolet and the Plymouth are concerned, there is also some "obliqueness" in the competitive situation. All the Plymouths are built on a 113-inch wheelbase, so that in theory they are not competitive with the Standard Chevrolets. Against the Master Chevrolet the two Plymouths that have just been introduced have a price edge of $50, but compared with the de luxe Plymouths the Master Chevrolet is still the cheaper.

Variations in delivery charges make some difference to this brief sketch of the competitive conditions in the low-priced automobile field, but it does serve to illustrate how keen the competition is and, furthermore, that there is a tendency to dodge the issue, in the hope that reputation, advertising, personal preference or prejudice, will swing the customers in the required direction.

The results shown by both General Motors and Chrysler for last year clearly illustrate the tendency for profit margins to narrow. In the case of Chrysler, net earnings last year were down 21 per cent, despite an increase in dollar sales of well over 50 per cent. In the case of General Motors, sales figures have not yet been published, but undoubtedly this company registered a gain similar to Chrysler and yet, earnings were up only 14 per cent.

It is quite likely that the increase in the expenses of the automobile manufacturer have now registered their greatest acceleration, but even if slower, the tendency is still upwards. At the same time, selling prices, as has been seen, if anything drift downwards. In view of such conditions, one can only look upon the current increasing volume of output as tending to maintain earning power, rather than tending to raise it materially.

Additional Units of Buying Power Needed More Than Higher Wages

(Continued from page 610)

is economically negligible, no matter how beneficial it may be locally for a time. Two billions of dollars is an enormous sum, but it is a drop in the bucket or in the priming of the pump compared even with the $53,000,000,000 of national production last year. Unless private industry spurts up of its own initiative, the 3,500,000 will be back for another huge appropriation next year, and the 1935 relief bill will be about twice as great as in 1934. To make the situation worse private industry is practically cut out of its normal contracting function in relation to these "made" public works, and organized labor is demanding that makers for relief shall get the same pay (or better) than men in regular jobs. Private industry in that event would be harassed everywhere by demands for increased wages for decreased output, and at the same time pay the bill for the relief labor as well as the unnecessary work it will perform.

It would be far better to subsidize industry to increase its payrolls and its production, thus putting the men and the money to work in normal ways. But nothing so practical as that can be expected from the professors who regard business men as exploiters and loafers as heroes.

So, in the sixth year of the depres-

sion we find that New Deal policies have done little to solve the unemployment problem. They have, on the contrary, reduced employment in the farming country, failed to raise urban purchasing power, dislocated the complex industrial and commercial machinery, loaded us up with millions whose right to unearned idleness is conceded, increased public debt and taxation to the breaking point, paralyzed private initiative, and intimidated capital. On the other hand, total national income has increased, production is fluctuatingly gaining, the farmers are better off, business as a whole is better than it has been since the summer of 1933.

But all of the industrial gain is within the same group, practically, that has been in possession of the fruits of the national economy since the N R A rally in 1933. They have a corner on such prosperity as there is. Ten million potential workers and a total of possibly 30,000,000 people are outside the circle of work, production and income. They are not only a burden—they are an economic loss—to speak with grim realism, the country would be relatively prosperous if they were annihilated. Full prosperity can never return until those thirty millions have their normal place again as workers and consumers, as producers and buyers. We are near the limit of recovery until they can be brought back into the processes of healthy national economy and converted from human liabilities to human assets of society. And practically nothing is being done to bring them back—because the Government is seeking to make a capitalistic economy cure itself capitalistically while it is being bled white socialistically.

Radio Corp. of America

(*Continued from page* 630)

understanding, or a disposition to work more in harmony within the ranks of the radio manufacturers the tendency to undersell the other fellow and "get the business" is likely to act as a brake on big profits.

Radio Corp.'s many new developments, which may be potential money makers are yet to prove themselves in that capacity. Commendable as is the company's courage in setting up the innovations, at great expense to itself, the future alone can test their profit creating possibilities. There is much more of the unpredictable than of that which is susceptible of forecast in the future of this great corporation.

Under this category comes television which so stirred popular fancy a few years ago. Undoubtedly when and if television becomes a commercially paying success, Radio will have a large share of the profits accruing to it.

Meanwhile, however, the corporation, itself, recognizes the fact that there is still much to be done before television can become an accomplished fact, on as solid a basis as radio. Experimentation will still have to be and is being conducted by the corporation. "There are no short cuts to the inauguration of television," says the company's annual report. "It must proceed step by step through the processes of research, laboratory development, field demonstration and thence to regular service. The technical, program and financial problems involved are so great as to make it impractical to erect and maintain a system of television, on a nation-wide basis, particularly in the United States, in the present state of the art."

However alluring the prospects for television may be they can hardly be considered in the nature of tangible assets of Radio Corp. at this time. Thus far television, with its cost for experimentation, has been more of a liability. But, borrowing a term from the legal profession, we may go so far as to call Radio's interest in television an asset "in expectancy"—not yet realizable but sufficiently promising to give it a value—and probably a great value —in the years to come.

Entirely aside from such future possibilities, however, the performance of the corporation in 1933 and its even better showing in 1934, is such as to engender a more optimistic feeling. Radio Corp. like every other enterprise, aside from what it can do through its own initiative and progressive-activities, must reply to a great degree on the general business of the country. If the country's future lies along the road to a newer prosperity it would seem the Radio should go forward.

The corporation seems destined to remain the chief actor in its field. To it, logically, there should come the results of the continuous experimentation into the potentialities of that unknown substance which we call ether. And no human being can set a limit on what can be done. But one must bring reason and not merely imagination to bear and discard the fantasies that blinded the clear-eyed goddess back in the days of stock inflation and seemingly made a mockery of human intelligence.

Cold figures of the present, and out of the past, indicate that Radio Corp., having survived both the inflation and the depression, is likely to improve its earnings position through the coming years; not that it is to bring vast returns to its stockholders over a short period of time, but that its shares present a possibility for future enhancement, and that the time may not be so far distant when this corporation, which, through all the years of existence, never has paid a dividend on its junior issue, may satisfy the long-deferred hope of its common shareholders and inaugurate disbursements on their holdings.

As I See It

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tions. Doing away with this bureaucratic control — letting men know where they stand,—would have an electric effect. Hope and ambition would spring up in the hearts of all business men and each individual would set to work in a manner that would further his own business, which would be helpful to the country as a whole. Put men to the necessity of solving their problems on their own and recovery will be brought about. It is only in this way that difficulties of this kind have ever been solved.

The Trend of Commodities

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land from Pernambuco, but one need have no doubt that the Brazilian Government will gladly lend every possible aid to a movement that promises to help push the problems of coffee into history, there to stay.

Brazil's purchases of gins and compresses from the United States for the year 1934 amounted to $558,305. November and December purchases being $315,820 of this sum. Probably still larger purchases were made in England.

For the ten years preceding 1933-34 Brazil's cotton production averaged 551,500 bales, according to figures compiled by the Division of Statistical and Historical Research, Bureau of Agricultural Economics of the Department of Agriculture, the division being kind enough to furnish to this writer very full detail as to what are termed foreign cottons—57 countries in all—and in addition the Argentine where attention to real possibilities in cotton production is increasing.

In 1909-10 Argentina had 4295 acres in cotton and turned out 1859 bales, less than half a bale to the acre, and in 1931-32 336,449 acres producing 169,201 bales, just a fraction more than half a bale to the acre.

Foreign Crops and Markets (February 11, 1935) says that the Argentine

can grow 2,500,000 acres of cotton in the Chaco (her northern province) but would need more labor and machinery as well as improved transportation; her advantages are summarized: (1) High soil fertility and big yields, (2) relatively few insect pests and plant diseases, (3) cheap lands and low rent, (4) low standards of living and low wages, (5) low costs of work stock, feed and other cost factors. Is it to be reasonably expected that any such fortuitous combination will not receive the fullest measure of development?

Let us not deceive ourselves as to the ease with which we can take up slack and let it out again. There is no excuse for us in so doing after we study the many points of the globe from which cotton can come. We have so far ignored both China and Russia. Each nation has the territory and the "know how" to some extent. There is a further element to which one feels positive too little thought has been given. It is that our nationalistic attitude distinctly discourages the thought that any of the countries to which we may sell cotton shall be given an opportunity to develop a growing market with us for any of their own products.

For example, the finest electric insulated cables in the world are made in Milan, Italy. Brazil's development makes it safe to say that that country is bound to need such cable in quantity. Cotton enters very largely into insulating material. Why should not Italian users of cotton make every effort to increase both export and import trade under such conditions? Buy cotton in Brazil, sell cable in Brazil and why limit the trade to merely two such items; such business is wisely looked upon as the most effective of entering wedges.

Now let us say that we come to the problem of labor, one of the chief difficulties in South America. One must go back 142 years to reach something of a parallel situation in cotton, to the time when Eli Whitney's saw gin made it possible to get cotton to market in quantity after it was picked. Now, the picking by hand of cotton is a slow, unsatisfactory task, comparatively expensive, one of the two tasks of the farm not yet mechanized, the other being the husking of corn.

A current magazine article makes some remarkably broad claims for a mechanical cotton picker said to have been perfected at last after years of experiment and test. It is not merely interesting if true; if true it is almost as much of a revolution in cotton as that led by Whitney more than a century ago. Egypt and India cannot use tractors in the small fields they till, but they can have cotton rows in the Argentine Chaco and in Brazil as long as any in Texas. One can visualize the Russian cotton fields in Asia where labor is scarce and the desire to mechanize all industry a national fanaticism.

Without question the fiber of our Southern states is greatly preferred by spinners in Lancashire and elsewhere the world over, but if spinners ever readjust machinery to another length of staple and become accustomed to a cheaper grade of cotton, it is not going to be any easy matter to win back our pre-eminence.

The consequences of our present line of conduct are so obvious, that one would be quite content to say no word in the hope that another Farm Board jamboree with attendant losses might be the last. However, there remains a most serious question—what is to be done with that part of the agricultural people of the South, no longer to be the cotton planters for the world? What shall we do with the ports of the South from which our cotton has moved out to supply the world's whirling spindles.

The great hope lies in what is said to be a changing attitude upon the part of the planter. He has sense enough to know he cannot continue to raise cotton and sell it through a camouflaged loan to the Government.

We may note by way of conclusion that A A A disbursements to farmers co-operating in the A A A programs on January 31, had reached a cumulative total of $629,614,037, of which cotton planters received $202,546,560, while cotton processing taxes have yielded $193,635,531; total processing taxes $640,871,403. An estimate made in December computed the Government holdings of cotton at 3,132,000 bales under the 12-cent loan, and 1,950,000 bales in the producers' pool, upon which a like amount was advanced. Therefore between benefit payments and loan outlay, the Government has a stake in cotton running to nearly half a billion dollars. Oscar Johnson, manager of the cotton pool, is now abroad to see what the outlook in the world market may be for the accumulated cotton in Government hands.

The drought made it possible for the corn loans to be redeemed, but one cannot calmly contemplate a like disaster as an aid for cotton prices. One such disaster is enough for several generations.

Marketwise the spot situation is tight. Mills buy from hand to mouth, price movements in futures are negligible. Of course, no free market is possible where one interest holds practically 20% or more of the current world crop and that interest one that does not have to count gains or losses.

What Annual Statements Show

(*Continued from page* 634)

registering a gain of 18.6% over 1933. To what extent this enlarged sales volume was made possible by higher prices for merchandise is not known but it is safe to assume that they contributed some portion of the gain. Nothwithstanding the fact that the company's management expects 1935 to be even better than last year, rising prices are likely to be less effective, particularly as there is growing evidence of buyer resistance to higher prices. With stores located in every state in the Union, Penney is in a position to share in further general business improvement, but in the matter of increasing materially the recent level of profits, the burden of proof is heavily on the company itself, in the face of increased operating costs and the depletion of low cost inventories. In 1934, the company earned $6.29 a share on its common stock as against $5.51 in 1933.

Liggett & Myers

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nual cash extras of $1 a share on both classes are also being paid.

The preferred and both classes of common stock are listed on the New York Stock Exchange. The "B" stock is the one in which most of the trading is done. The common usually sells at a slight premium because of the voting privilege. At the present approximate price the "B" stock yields about 4.7%. The company's record as a dividend payer over many years and the fact that only in one year since the present rate was inaugurated has there been a failure to earn the full dividend requirement provide a basis for retention of current "B" holdings and further accumulation on any soft spots.

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